Company	Accsys Technologies PLC
TIDM	AXS
Headline	Preliminary Results
Released	19 June 2018
Number	7807R

AIM: AXS
Euronext Amsterdam: AXS

19 June 2018

Accsys Technologies PLC
(“Accsys” or the “Company”)

Preliminary Results for the year ended 31 March 2018

Doubling of capacity in manufacturing footprint on track to meet strong demand

Accsys, the chemical technology group, focused on the acetylation of wood, today announces preliminary results for the twelve months ended 31 March 2018.

	Year to 31 March 2018		Year to 31 March 2017	
	Underlying	Statutory	Underlying	Statutory
Total Group Revenue	**€60.9m**	€60.9m	€56.5m	€56.5m
Gross profit	**€13.6m**	€13.6m	€14.4m	€14.4m
EBITDA	**(€3.5)m**	(€5.7)m	(€1.5m)	(€1.2m)
Loss before tax	**(€8.8)m**	(€10.4)m	(€4.5m)	(€4.5m)
Year-end cash balance		€39.7m		€41.2m
Year-end net (debt)/cash balance		(€3.8m)		€18.0m

Major capacity expansion and strategic progress:

- Accoya® plant expansion completed and in operation from June 2018 to increase annual capacity by 50% to at least 60,000 cubic metres;
- Strong demand continues for Accoya®, large proportion is repeat business, expected to generate significant increase in sales and margins;
- Construction of transformational Tricoya® plant in Hull remains on track for completion mid-2019 calendar year, supported by strong sales of Tricoya® panels which have increased by 26% compared to last year reflecting increased demand; and
- Hull plant, with capacity of 30,000 metric tonnes expected to become cash flow generative sooner, as a result of the new Tricoya® licence with FINSA.

Financial highlights:

- Total revenue up by 8% against last year, with Accoya® revenue up 11%, offset by reduced licensing income;
- Accoya® sales volumes up by 7% to 42,676 cubic metres, with a 15% increase in the second half;
- Accoya® gross margin improved to 24% in the second half reflecting both price increases, significant volumes sold to Medite and Rhodia at lower prices and no Accoya® licence income;
- Underlying EBITDA improved to a €0.7m loss in the second half of year compared to €2.8m loss in first half;
- 30% gross margin from the manufacturing of Accoya® continues to be achievable; and
- Increase in net debt reflects significant investment in capacity increases for both Accoya® and Tricoya®.

Paul Clegg, Chief Executive commented:

"*At the time of the justifiable increased awareness of the critical importance of alternatives to man-made and fossil based materials, this year has been a milestone year for Accsys. Our patented technology and products have seen strong endorsement from both trade and financial partners. We have continued to see strong demand for both Accoya® and Tricoya®, driven by both their recognised technical performance and their sustainable provenance, which is becoming increasingly important for both end users and specifiers alike.*

This has been a tremendous boost for our capacity expansion and has been integral to the major financial backing we received from a variety of stakeholders during the year. We have reported excellent progress on the significant increase in our manufacturing footprint in both Arnhem and Hull to more than double our capacity by mid-2019, with a 50% increase going live now. This capacity transformation will make a real difference to both margins and sales volumes, which have been constrained to date. We are achieving good results from developing sales to both existing and new customers in our established markets, as well as newer ones. Our partnership with FINSA, a pioneer in the field of sustainable and renewable wood-based solutions, is another important development for accelerating the commercial future of the new Tricoya® plant in Hull.

It's an exciting time for the whole team at Accsys and we are looking forward to the next phase of our development with confidence."

There will be a presentation relating to these results at 09:30 BST on Tuesday 19 June 2018. The presentation will take the form of a web based conference call, details of which are below:
Webcast link:
Click here or copy and paste ALL of the following text into your browser:
https://edge.media-server.com/m6/p/ey6p5kew

Conference call details for participants:
Participant Telephone Number:

United Kingdom	+44 (0)330 336 9411
Netherlands	+31 (0)20 703 8261

Confirmation Code: 7937962

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

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

Voorlopige resultaten voor het boekjaar eindigend op 31 maart 2018

Verdubbeling van de productiecapaciteit ligt op schema om aan de sterke vraag te voldoen

De chemische technologiegroep Accsys, die zich richt op zeer duurzame acetylatie van hout, maakt vandaag haar voorlopige resultaten bekend voor het boekjaar eindigend op 31 maart 2018.

	Jaar eindigend per 31 maart 2018		Jaar eindigend per vrijdag 31 maart 2017	
	Onderliggend	Statutair	Onderliggend	Statuair
Totale groepsomzet	**€ 60,9 mln**	€ 60,9 mln	€ 56,5 mln	€ 56,5 mln
Brutowinst	**€ 13,6 mln**	€ 13,6 mln	€ 14,4 mln	€ 14,4 mln
EBITDA	**(€ 3,5) mln**	(€ 5,7) mln	(€ 1,5 mln)	(€ 1,2 mln)
Verlies voor belastingen	**(€ 8,8) mln**	(€ 10,4) mln	(€ 4,5 mln)	(€ 4,5 mln)
Liquide middelen per einde boekjaar		€ 39,7 mln		€ 41,2 mln
Saldo liquide middelen (netto-schuld) per einde boekjaar		(€ 3,7 mln)		€ 20,1 mln

Grote capaciteitsuitbreiding en strategische vooruitgang:

- De uitbreiding van de Accoya®-fabriek is voltooid en de productie is sinds juni 2018 gestart om de jaarlijkse capaciteit met 50% te verhogen tot ten minste 60.000 kubieke meter;
- Aanhoudende sterke vraag naar Accoya®, voor een groot deel afkomstig van vaste klanten en deze zal naar verwachting een aanzienlijke toename van de omzet en de marges genereren;
- De bouw van de Tricoya® wood chip acetylatiefabriek in Hull ligt op schema voor voltooiing halverwege 2019, ondersteund door de sterke verkoop van de Tricoya®-panelen die met 26% is gestegen in vergelijking met vorig jaar en de toegenomen vraag weerspiegelt; en
- De fabriek in Hull, met een capaciteit van 30.000 metrieke ton, zal naar verwachting sneller cashflow genereren, dankzij de nieuwe licentieovereenkomst tussen Tricoya® en FINSA.

Financiële hoogtepunten:

- De totale omzet is met 8% gestegen ten opzichte van vorig jaar, waarbij de omzet van Accoya® is gestegen met 11%, ondanks lagere licentie-inkomsten;
- De verkoopvolumes van Accoya® zijn in het boekjaar met 7% gestegen tot 42.676 kubieke meter, met een toename van 15% in het tweede halfjaar;
- De brutomarge van Accoya® verbeterde tot 24% in het tweede halfjaar en weerspiegelde de prijsstijgingen en de significante volumes die aan Medite en Rhodia werden verkocht tegen lagere prijzen maar zonder licentie-inkomsten van Accoya®;
- Het onderliggende EBITDA-verlies verbeterde tot € 0,7 miljoen in het tweede halfjaar in vergelijking met een verlies van € 2,8 miljoen in het eerste halfjaar;
- Een brutomarge van 30% op de productie van Accoya® blijft haalbaar; en
- De toename van de nettoschuld weerspiegelt de significante investering in het verhogen van de capaciteit voor zowel Accoya® als Tricoya®.

Paul Clegg, Chief Executive, licht toe:
"*In deze tijd van toegenomen bewustwording van het belang van alternatieven voor kunstmatige en op fossielen gebaseerde materialen, was dit jaar een mijlpaal voor Accsys. Onze gepatenteerde technologie en producten hebben veel steun gekregen van financiers en handelspartners. We blijven een sterke vraag naar zowel Accoya® als Tricoya® zien, gedreven door zowel de onderkende technische prestaties als de duurzame oorsprong van de producten, wat steeds belangrijker wordt voor de eindgebruikers en de ontwerpers.*

Dit was een enorme opsteker voor onze capaciteitsuitbreiding en een integraal onderdeel van de grote financiële steun die we gedurende het hele jaar van verschillende belanghebbenden hebben ontvangen. We hebben uitstekende progressie geboekt ten aanzien van de significante toename van onze productiefaciliteiten zowel in Arnhem als in Hull om onze capaciteit medio 2019 meer dan verdubbeld te hebben, met een toename van 50% die nu live gaat. Deze capaciteitstransformatie zal een echt verschil maken voor zowel de marges als de verkoopvolumes, die tot op heden beperkt zijn gebleven. We behalen goede resultaten door de verkoop te ontwikkelen voor bestaande en de nieuwe klanten in onze gevestigde maar ook nieuwere markten. Ons partnerschap met FINSA, een pionier op het gebied van duurzame en hernieuwbare, op hout gebaseerde oplossingen, is een andere belangrijke ontwikkeling voor het versnellen van de commerciële toekomst van de nieuwe Tricoya®-fabriek in Hull.

Het is een opwindende tijd voor het hele Accsys-team en we kijken vol vertrouwen uit naar de volgende fase van onze ontwikkeling."

Op dinsdag 19 juni 2017 vindt om 09.30 uur (BST) een presentatie plaats van deze resultaten. De presentatie vindt plaats via een online conference call, waarvan de details hieronder staan:

Link naar webcast:
Klik hier of kopieer en plak de volgende tekst VOLLEDIG in uw browser:
https://edge.media-server.com/m6/p/ey6p5kew

Informatie over conference call voor deelnemers:
Telefoonnummer deelnemers:

Verenigd Koninkrijk	+44 (0)330 336 9411
Nederland	+31 (0)20 703 8261

Bevestigingscode: 7937962

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

Introduction

This year the focus has been on ensuring our two key capacity expansion projects are on schedule and within budget whilst maintaining momentum in sales growth despite the challenges of operating at maximum production capacity for much of the year. It is a true credit to all our employees who have supported our development whilst ensuring we operate to the very highest standards for Health and Safety.

The construction of the third reactor in Arnhem is now complete and we are on schedule for it to produce its first batches of Accoya® this month. In the last twelve months our customers have been exceptionally patient as demand continues to outstrip supply. We look forward to fulfilling that excess demand over the coming months as we once again look for double digit growth in the year ending 31 March 2019.

Following the finalisation of the Tricoya® consortium at the end of the last financial year, substantial progress has been made with the construction of the new Tricoya® chip acetylation plant in Hull, which remains on track for completion in mid-2019 calendar year.

We are once again looking forward to a period of significant growth and being able to satisfy the increasing and pent up demand for Accoya®. This will help us to take advantage of a substantial market opportunity; one which becomes more relevant in today's world which is seeking ever more environmentally friendly, yet high performance construction products. We are also seeing more interest from partners who see the market potential and wish to support the growth of both Accoya® and Tricoya® in both North America and Asia.

We continue to add experience and breadth to the organisation as we look forward to the next period of more accelerated growth. This has included the appointment of Trudy Schoolenberg to the Board as Senior Independent Director who brings with her significant operational and corporate experience. We have also strengthened our management capability with new appointments in Human Resources and Marketing following the appointment last year of our Head of Group Operations.

Sales and production

Sales volumes grew by 7% to 42,676 cubic metres for the year, reflecting that we have been operating at capacity levels which have limited our ability to grow further in the year and resulted in pent up demand. Production volumes were impacted by two planned shut downs in the first half of the year, one more than usual as a result of work relating to the expansion. Sales of Tricoya® panels by Medite increased by 26% compared to last year reflecting increasing demand.

Demand for Accoya® and Tricoya® has increased, and despite the capacity constraints, growth was recorded in most regions, in particular the USA although this was from relatively low volumes.

We continue to believe the total market for Accoya® and Tricoya® is in excess of 2.6 million cubic metres per annum, based upon detailed market assessments. This figure represents a small fraction of the overall solid wood and wood panel industries but should also be seen as a longer term aspiration given the requirement for new manufacturing capacity.

Additional manufacturing capacity

The addition of a third reactor to our Accoya® plant in Arnhem increases our capacity by 50% to in excess of 60,000 cubic metres per annum, with the potential to generate revenue in excess of €90m annually, at today's prices. The first commercial batches are anticipated this month and we expect to ramp up production volumes over the next few months to meet demand for both Accoya® and Tricoya®.

The additional capacity has been completed on budget and the expansion includes the infrastructure for a fourth reactor to be added at a later date to add a further 20,000 cubic metres of capacity. As part of our expansion programme, we now have a significant new warehouse and distribution centre and new offices. This means that all of our key operations in relation to Accoya® are housed in a single location in Arnhem, which is expected to result in greater efficiency.

I am also pleased to report that 15 months following the formation of the Tricoya® consortium real progress has been made with the construction of the dedicated Tricoya® wood chip acetylation plant in Hull which will have an initial design capacity of 30,000 metric tonnes. Significant construction work has been completed on site, key equipment ordered, staff recruitment is ongoing and we remain on track for the construction of the plant to be completed in mid-2019 calendar year.

During the year we entered a Tricoya® brand and panel manufacturing licence agreement with FINSA, which is expected to become a significant new customer purchasing Tricoya® chips from the Hull plant. The anticipated future demand for Tricoya® chips indicated by FINSA together with the existing offtake agreement with Medite, is expected to result in the Hull plant being significantly loaded and as a consequence cash generative at an earlier point. We continue to expect the plant to be EBITDA positive operating at 40% capacity.

Financial Results

Revenue for the year ended 31 March 2018 increased by 8% to €60.9m (2017: €56.5m). Within this total, Accoya® wood revenue increased by 11% to €56.3m (2017: €50.7m) as a result of a 7% increase in sales volume and the effect of price increases, while licence income decreased from €1.6m to €0.2m, reflecting progress in reaching milestones in the period under our agreement with our Accoya® licensee, Rhodia Acetow.

Gross profit margin decreased from 25% to 22% for a number of reasons including lower licensing income, as expected, and a number of largely one-off matters which impacted the first half of the year including an additional maintenance stop and a reduction in our inventory of lower grade (B-grade) material. However, the gross margin in the second half of the year increased to 24.5% compared to 20.0% in the first half as a result of a price increase implemented in January 2018 and without some of the one-off items experienced in the first half. Gross margin should increase further in the year ending 31 March 2019 as we benefit from the additional capacity.

Other operating costs (excluding exceptional items) increased by 9.0% to €20.2m largely as a result of increased activity following formation of the Tricoya® consortium, wage inflation and activities to support the expected significant growth in Accoya® volumes.

This resulted in a €2.0m increase in underlying Group EBITDA loss to €3.5m (2017: underlying EBITDA loss of €1.5m). However underlying Group EBITDA improved from a €2.8m loss in the first half of the year to a €0.7m loss in the second half. This was largely due to an improvement in the Accoya® segment where underlying EBITDA improved from €1.2m profit in the first half of the year to €3.4m profit in the second half of the year as a result of higher Accoya® volumes and price increases.

Balance sheet

The increase in net debt to €3.8m (2017: net cash of €18m) largely reflects €29.5m of capital expenditure incurred in the year in respect of the Hull plant and Arnhem expansion and €1.8m cash out-flow attributable to operating activities after changes in working capital.

During the year we raised €12.3m net proceeds from the Firm Placing and Open Offer (completed in April 2017) and a further €14.4m was raised from BP Chemicals and Medite in respect of the Hull plant, through the issue of new shares in our Tricoya® subsidiary. We also drew down €7.5m under our facility with Rhodia in respect of the Arnhem expansion.

The net debt balance is expected to increase in the new financial year as further significant capital expenditure is incurred in respect of the Hull plant and the Arnhem expansion is finalised. However group operating cash-flow is expected to be positive in the new financial year.

Outlook

The additional capacity from the third reactor in Arnhem will meet the pent up and new demand for Accoya® and Tricoya®. We expect sales volumes to grow significantly in the new financial year, although much of this will be in the second half.

The start-up of the Hull plant in mid-2019 will provide further additional capacity to meet demand. This also means we will no longer have to supply Accoya® for the manufacture of Tricoya®, which in conjunction with the capacity expansion in Arnhem would allow Accoya® capacity to approximately double in comparison to last year.

The new user licence agreement with FINSA is a great endorsement and an indication of the interest and demand for Tricoya®, for which we also expect sales to increase ahead of the Hull plant becoming operational. We are also in discussions with a number of large MDF manufacturers regarding potential licensing arrangements similar to the FINSA agreement.

There is a high level of interest in developing new capacity for Accoya® and Tricoya® both in North America and Asia. These are likely to involve new partnership arrangements similar to the Tricoya® Consortium in Hull.

In summary, this is an exciting period for our Company. I am confident that we are very well placed to take advantage of our strong IP by utilising our increased asset base to ensure we can maximise growth and returns going forward in both the short and longer term.

Patrick Shanley
Non-executive Chairman
18 June 2018

Our market

Ever increasing concerns over pollution related to plastics and other man-made materials means that the superior qualities of our products are driving customers to choose our environmentally-friendly materials over established wood and man-made materials including fossil based products. This gives enormous scope to increase our penetration of this vast global market.

Our technology

Accoya® and Tricoya® are based upon our proprietary wood acetylation technology.

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

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

Market

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

Last year we sold 42,676 cubic metres of Accoya® and our licensee Medite sold 7,328 cubic metres of Tricoya® panels, however the total global solid wood market is understood to exceed 400 million cubic metres annually and we believe sales in excess of 1 million cubic metres annually are ultimately achievable. While it may take some time for Accoya® and Tricoya® to reach their full market potential and may be limited by availability of manufacturing capacity, we are confident that continued strong sales growth can be generated.

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

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

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

The global market for Tricoya® panel products is estimated in excess of 1.6 million cubic metres and up to approximately 4.5 million cubic metres per annum. This would equate to around 1% of global MDF manufacturing capacity. Tricoya® panels were introduced to the market by Medite in 2012, manufactured using chipped Accoya® as a production solution in the period before the dedicated wood chip acetylation plant is completed. Sales of Tricoya® panels have increased significantly each year since Medite introduced them to the market in 2012, and total panel sales to date are approximately 25,000m^3 / 2,300,000m^2, representing a sales value of approximately €39m. Last year sales grew by 26% to 7,328m^3.

Both products offer environmental advantages which enable them to compete with a variety of other less sustainable wood and man-made products. We believe this will become more important as global attention increases in respect of the potential harm that other products, such as plastics and micro plastics can cause.

Sustainability

Pollution is not a new problem but increased risk to human health and the environment is now driving specifiers and consumers to consider the environment in every decision. Through our innovative technological acetylation platform, we are committed to manufacturing high performance materials – Accoya® and Tricoya® - which are environmentally solutions for the construction industry. Accoya® and Tricoya® are made from abundantly available, fast growing, sustainable, renewable resources with durability and dimensional stability exceeding the best performing tropical and temperate hardwoods and manufactured wood and non-wood panels including plastics.

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

Our Key Strengths

Intellectual property ('IP'), expertise and innovation

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

Branding

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

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

Business partners

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

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

Our people

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

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

Our Technology

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

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

Business model

How we Create Value

Manufacturing

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

The plant returns are expected to be further improved with the benefit of the new capacity in the new financial year. In addition it is a centre for carrying out commercial level R&D and for evaluating further improvements to our processes.

Working with third parties

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

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

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

Outcome

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

Accsys Technologies PLC

Our strategy

Strategic Priority	**Developing market and driving growth**
Ambition	To develop market opportunities into core business to drive revenue growth KPIs: - Accoya® and Tricoya® volume sold - Number of distributors
Approach	- Focus on significant and growth markets, for example the USA and the joinery market - Building brand and developing critical mass within markets - Developing the substantial environmental advantages that our products offer - Development of partnerships to allow the above in cost effective manner - Product development focused on significant volume and value propositions

Progress in year ended March 2018	- Total volume sold increased by 7% to 42,676 cubic metres, however:
	  o Accoya® sales volumes (excluding to Medite) increased by 10% to 34,617 cubic metres
	  o Tricoya® panel sales by Medite increased by 26% to 7,328 cubic metres
	- 64 Accoya® distribution and agency agreements in place (2017: 61)
	- Sales volumes have been capacity constrained with customers on allocation
	- USA identified as key growth market – sales volumes increased by 44%
	- Second Tricoya® user licence sold, expected to increase sales into new European markets.

Priorities for year ending March 2019	- Meeting pent up demand for Accoya® from expanded capacity following a significant period of customers being on sales allocation - Increase market seeding to Tricoya® in core European region and develop sales into new key markets elsewhere globally
Risks	Manufacturing capacity may be limited should sales grow faster than capacity allows. Our ability to manage demand should we operate at or near capacity levels could result in negative market reaction. A delay in expansion of the Tricoya® plant in Hull may result in uncertainty with our customers impacting sales in the shorter term. The Group expects to sell new or existing products and services into other countries or into new markets. However, there can be no assurance that the Group will successfully execute this strategy for growth. The development of a mass market for a new product or process is affected by many factors, many of which are beyond the control of the Group, including the emergence of newer and more competitive products or processes and the future price of raw materials. If a mass market fails to develop or develops more slowly than anticipated, the Group may fail to achieve sustainable profitability.

Strategic Priority	**Developing manufacturing capacity**
Ambition	To grow manufacturing position in Europe and establish new platforms in key markets in support of, and to enable, demand growth KPIs: - Operational manufacturing capacity - Manufacturing capacity under construction
Approach	- Develop and optimise existing sites to benefit from existing skills and leverage operational and financial scale - Identify new international locations and appropriate partners to develop additional capacity in order to meet longer term growth potential in global markets
Progress in year ended March 2018	- Record production from Arnhem plant of 39,148 cubic metres - 3rd Accoya® reactor construction significantly progressed as expected, which will increase capacity by approximately 20,000 cubic metres per annum. - Tricoya® plant construction commenced, which will have a capacity of approximately 30,000 metric tonnes of Tricoya® wood chips per annum
Priorities for year ending March 2019	- Commissioning of construction and ramp up of operations of 3rd Accoya® reactor - Tricoya® plant construction expected to be near complete ahead of operation in mid-2019 calendar year. - Development of initial plans for ensuring additional manufacturing capacity - Development of key supply chain relationships and options in order to support longer term ambition

Risks	Accoya® process improvements are likely to be more difficult to achieve with no certainty that capacity from existing assets can be increased further. The Tricoya® process is based on our core acetylation knowledge but may present unexpected design issues requiring more complex engineering. The Group's Intellectual Property ('IP') protection is afforded by a combination of trademarks, patents, confidentiality agreements and the structuring of legal contracts relating to key licensing, engineering and supply arrangements. Unauthorised use of the Group's IP may adversely impact its ability to exploit the technology and lead to additional expenditure to enforce legal rights. The wide geographical spread of our products increases this risk due to the increasingly varied and complex laws and regulations in which we seek to protect the Group's IP. The cost and availability of key inputs affects the profitability of manufacturing whilst also impacting the potential profitability of third parties interested in licensing the Group's technology. The price of key inputs and security of supply are managed by the Group, partly through the development of long term contractual supply agreements.

Strategic Priority	**Research and technology development**
Ambition	To develop technology and IP programmes to focus on value and growth, and to manage risk
Approach	- Optimisation of existing products and technologies - Pursuit of focused technology solutions which materially enhance productivity and cost of production
Progress in year ended March 2018	- Significant progress made in development of potential coloured Accoya® and other potential end product developments which would lead to new applications
Priorities for year ending March 2019	- Finalisation of development of coloured Accoya® - Continued development of application of acetylation to other solid wood applications - Fully define detailed and focused technology development programme for implementation from 2019, based on existing assets, know-how and development programmes
Risks	Additional applications and new species development remains uncertain given the inherent nature of R&D. An element of the Group's strategy for growth envisages existing or new products being sold into new markets such that slower development could impact longer term growth. As our products and IP becomes increasingly valuable, an increased risk of third parties challenging our IP or seeking to copy or use it without authorisation develops.

Strategic Priority	**Organisational development**
Ambition	To develop our people and organisational capability to enable us to meet our growth objectives
Approach	- Development of Group culture and values - Build Group's organisation capability to meet growth objectives - Focus resource strategy and organisational development based on strategic plan milestones with appropriate training and development
Progress in year ended March 2018	- New heads of HR and Communications joined senior management team; new Non-Executive Director joined board with significant operational experience - Undertaken review of many HR related functions to identify areas for development
Priorities for year ending March 2019	- Review of organisational structure and detailed resource plans - Develop values programme
Risks	The Group's success depends on its ability to continue to attract, motivate and retain highly qualified employees. The highly qualified employees required by the Group in various capacities are sometimes in short supply in the labour market. There are risks associated with operating a chemical plant and accordingly the health and safety of our staff is made a priority. We continuously seek improvements to exceed industry expectations by challenging our methods, improving our reporting and continuing to learn

Further details of risks and uncertainties are set out below:

(a) Regulatory, legislative and reputational risks

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

(b) Movements in foreign exchange

The Group's functional currency is the Euro. There is the risk that movements in the Euro exchange rate against other currencies may result in significant, unexpected, financial gains and losses.
The Group's risk management strategy is to minimise the financial risk associated with exchange rate movements by using foreign exchange hedging. Where possible, the Group will use natural hedges where assets and liabilities exist in the same currency, otherwise it will use foreign exchange derivatives such as forward contracts to minimise the risk.
The Group aims to hedge certain of its key foreign exchange risk, taking account of the affordability of appropriate foreign exchange derivatives.

Introduction

We have made considerable progress over the last year and I am particularly pleased that we are now expecting the first output from the third Accoya® reactor this month, after the completion of a substantial and successful construction project.

The first year of the Tricoya® Consortium has been transformational, with significant progress made in the construction of the world's first wood chip acetylation plant in Hull and success in securing an important new partnership with FINSA.

Safety continues to be our priority and I am pleased to report that we have had no lost time incidents in the year. We are continuing a safety awareness programme involving all of our employees and will continue to target best practice in this area.

I would again like to thank all of our staff who have worked with continued dedication towards achieving the Groups objectives, during a period which has seen all parts of the business operate at higher levels than before. We have strengthened our Senior Management Team, with the addition of Heads of Communications and HR as well as the Head of Group Operations earlier in the year. I believe the team is in an excellent position to manage our next significant growth phase.

Accoya® – Global performance

	Six months ended 31 March 2018	***Six months ended 30 September 2017***	**Year ended 31 March 2018**	***Year ended 31 March 2017***
Accoya® sales volume – cubic metres	**22,850**	*19,826*	**42,676**	*39,790*
Accoya® production volume – cubic metres	**21,114**	*18,034*	**39,148**	*38,084*
Accoya® sales	**€30.1m**	*€26.2m*	**€56.3m**	*€50.7m*
Licence income	**€nil**	*€nil*	**€nil**	*€1.6m*
Manufacturing margin – %	**23.8%**	*19.5%*	**21.8%**	*22.7%*
Underlying EBITDA	**€3.4m**	*€1.2m*	**€4.6m**	*€6.0m*

Total Accoya® sales volume for the year ended 31 March 2018 increased by 7% to 42,676 cubic metres (2017: 39,790 cubic metres) and total Accoya® revenue increased by 11% to €56.3m (2017: €50.7m). The larger increase in revenue compared to volume was attributable to effect of price increases and small change in sales mix. Excluding sales to Medite for Tricoya® panels, sales volumes increased by 10% to 34,617 cubic metres (2017: 31,532 cubic metres).

At the time of the justifiable increased awareness of the critical importance of sustainable alternatives to man-made and fossil based materials, the overall increase in sales volume in the year reflects the continued increase in demand for our environmentally-friendly products although growth has been limited given production volumes have been at capacity level. Our customers have been on allocation for much of the year and we are grateful for their co-operation as we have worked closely with them through this challenging time in order to manage demand. As a result, we are well placed to meet pent up demand, as well as new opportunities now that potential capacity is increasing by 50%. We expect sales volumes to increase during the remaining part of the new financial year, as production volumes ramp up following the completion of commissioning this month.

The 10% growth in Accoya® volumes (excluding to Medite) continues to be driven by repeat business and has been fulfilled by our network of global distributors which has remained largely consistent over the last year. Demand is fuelled by an ever increasing track record and acceptance in our target markets together with the drive by the industry for high performance yet sustainable building materials. We continue to develop new sales opportunities as we demonstrate Accoya®'s more entrenched position in the market.

UK and Ireland remains our largest region, where sales volumes remained level at 11,994 cubic metres, excluding sales to Medite for Tricoya® (2017: 12,021 cubic metres). Use of Accoya® for door and window production remains the largest application in this market through the use of Accoya® for facades has increased significantly. The inventory levels of our distributors reduced during this period under allocations. As a result of strong demand together with inventory replenishment, we anticipate significant growth as production from the additional capacity increases in the new financial year.

9,464 cubic metres of Accoya® were sold to Rhodia Acetow (2017: 8,531 cubic metres). This represented an 11% increase and reflected our arrangements with them as an Accoya® licensee under which Rhodia has responsibility for most countries in central Europe and Scandinavia. Subsequent to the year-end we have agreed an amendment to our off-take agreement with Rhodia which has reduced the minimum volume Accsys is obliged to supply to Rhodia for the remaining three years of the agreement. The minimum volume for the three years ending December 2020 has been reduced from 55,000 cubic metres to 44,990 cubic metres, reflecting both our recent and potential future production capacity constraints.

Sales in the Americas increased by 43% to 5,494 cubic metres from relatively small volumes last year, reflecting our focus on the largest potential market for Accoya®. Our sales team has made significant progress in developing short and longer term opportunities and I believe this region will also represent a significant area of growth following the availability of new production capacity. While sales volumes increased, margins in the region were impacted by weaker US$ exchange rates, with North America being the only region where we invoice customers in local currency rather than Euros.

Sales to the Benelux area decreased by 8% to 3,405 cubic metres, as a result of lower sales in Belgium. This was attributable to the prior year including one-off projects and a change in our distribution structure. We have secured an additional distribution partner for Belgium, with a strong project pipeline for the new-year. Sales to the Netherlands increased by 15% despite customers being on allocation for much of the year, reflecting changes we made to our sales and marketing approach as well as to the sales team last year. As a result I am confident sales will continue to grow for this region with new production capacity.

Sales to the Asia-Pacific region increased by 26% to 3,540 cubic metres. Sales outside of Diamond Wood's exclusive region, including to Japan, Australia, New Zealand and India increased by 25%, reflecting particularly strong growth in Australia and Japan from both positive collaboration with distributors and the benefit of repeat business manufacturing companies increasing use of Accoya®.

Sales to customers elsewhere, including Eastern Europe and the Middle East continue to be relatively small with growth restricted by production capacity. However, we continue to develop relationships with distributors and believe that many of these regions represent excellent longer-term markets.

Volumes of Accoya® sold to Medite for the manufacture of Medite® Tricoya® Extreme remained relatively flat, at 8,059 cubic metres. While prices increased slightly in the year the margin for this material continues to be lower than sales to our regular Accoya® customers. This reflects our investment in the Tricoya® project resulting in our shareholding in the Consortium increasing by 0.5%. Sales are expected to grow significantly in the new financial year and ahead of the Hull Tricoya® plant becoming operational in mid-2019 calendar year. Sales by Medite of Tricoya® panels increased by 26% to 7,328 cubic metres in the year to 31 March 2018, reflecting use of Medite's inventory.

We have 64 Accoya® distributor, supply and agency agreements in place covering most of Europe, Australia, Canada, Chile, China, India, Japan, New Zealand, South Korea, parts of the Middle-East and South-East Asia, and North America.

No Accoya® licence related income was reported in the year (2017: €1.6m) reflecting the contractual milestones in place with our licensee Rhodia Acetow however further milestones are expected to be achieved in the new financial year.

Accoya® pricing and margin

The gross manufacturing margin (which excludes licensing income) decreased from 22.7% to 21.8% reflecting a number of one-off matters reported with the half year results. The gross manufacturing margin improved from 19.5% in the first half of the year to 23.8% with the second half of the year also benefiting in part from a price increase effective from January 2018.

The lower gross margin in the first half of the year was attributable to the following, largely one-off factors:

> In May 2017 we carried out an extra maintenance stop, in addition to our annual maintenance stop completed in September 2017. The May stoppage related to the expansion however lasted longer than expected, resulted in lower production volumes and resulted in €0.2m of additional costs.
>
> Raw material prices increased in the first half of the year, with the cost of acetyls increasing in the first quarter although this subsequently reduced. The cost of raw wood also increased in the first half of the year. As a result, we implemented a price increase for all of our customers from January 2018.
>
> We also reported a one-off cost attributable to a quantity of lower grade wood sold in the first half of the year which reduced gross margin by €0.5m, but which assisted in the relocation of inventory to our new warehousing facilities in the second half. Inventory levels had built up following some challenges in securing the right mix of raw wood from our suppliers in New Zealand. We have improved the balance of material being supplied from New Zealand and factored in the remaining related cost into the new customer prices implemented from January 2018.
>
> The proportion of sales to Medite and Rhodia increased to represent 41.6% of total sales volumes in the first half of the year. Lower priced and lower margin Accoya® is sold to Medite reflecting our investment in Tricoya® market seeding and Rhodia receives discounted prices reflecting their on-going commitment under their off-take agreement. The proportion of sales to Medite and Rhodia decreased marginally to 40.6% in the second half of the year.

We expect the new financial year to benefit from the full effect of the price increase implemented from 1 January 2018 and we will continue to keep prices under review as the year progresses. We also expect to benefit from economies of scale arising from operating the third reactor and we continue to believe that a gross margin of 30% is achievable in the longer term.

Expansion of Accoya® manufacturing plant

I am very pleased to report that the construction of the third reactor has recently been completed and is now operational. Full commissioning is underway with the benefit of additional Accoya® expected later this month.

The expansion has been completed successfully as expected and the 50% additional production capacity, to in excess of 60,000 cubic metres, will allow us to grow sales volumes significantly in the remaining part of the new financial year.

At the same time, we completed the chemical infrastructure for the fourth reactor which means that we can increase capacity by an additional 20,000 cubic metres both more quickly and at a lower cost, when demand requires.

To support the additional manufacturing capacity, we have recruited some additional shift staff and are in the process of adding to these teams further as we expect to ramp up operations. The additional capacity is expected to result in improved economies of scale when operating at higher volumes given the overlap of some functions and shared overheads with the existing two reactors.

In October 2017 we completed the move into new facilities adjacent to the plant which includes a new warehouse and distribution centre, R&D laboratory, maintenance workshops and office. These facilities were previously spread over a number of different rented buildings. The new facility has been constructed by Bruil under the sale and leaseback arrangements we originally entered into in 2016. We are already seeing the benefits of working at a single site, with efficiencies expected to be gained from improved logistics between warehouse and the processing plant as well as having our Arnhem employees at a single location.

Subsequent to the year-end we have purchased the majority of the Arnhem land and buildings back from Bruil for a total of €23m, enabling us to benefit from greater flexibility over the use of the site as well as any potential value appreciation. The acquisition remains conditional upon Accsys finalising finance terms to fund the purchase price of €23m (plus VAT). Should satisfactory financing terms not be agreed, the transaction will be unwound, the property transferred back to Bruil and the previous lease arrangements will re-commence, all without liability to Accsys.

Tricoya® Consortium

	Six months ended 31 March 2018	**Six months ended 30 September 2017**	**Year ended 31 March 2018**	**Year ended 31 March 2017**
Sales of Medite® Tricoya® Extreme panels, by Medite – cubic metres	3,577	3,751	7,328	5,806

I am very pleased to report substantial progress by the Tricoya® Consortium since its formation in March 2017.

Detailed engineering by the main contractor, Engie Fabricom, had commenced prior to the start of the year and this enabled work to begin on site immediately following the site clearance and remediation work which was completed in June 2017. Ground works have been completed and the construction of key structures is progressing well, including the acetylation tower.

Approximately 90% of key equipment orders have been placed, including all long lead time items, with the first such items having been delivered to site.

Co-operation with our Consortium partners, BP and Medite, has been excellent at all levels of the organisation, including ensuring that the Consortium benefits from BP's experience at the Saltend Site and Medite's experience with wood handling.

The plant manager for the new plant started in January 2018 and we are building a team of approximately 30 staff to operate the plant. These staff will be recruited during the new financial year with the early task of developing the operational protocols and then commissioning the plant in 2019 calendar year.

Medite has continued to develop the market and sales of Medite® Tricoya® Extreme panels by Medite have increased by 26% compared to the same period last year. Demand for Tricoya® panels continues to increase allowing Medite to increase prices. Growth has more recently being limited as a result of the production capacity in Arnhem restricting the amount of Accoya® that can be sold to Medite. Sales are expected to increase now that additional Accoya® manufacturing capacity is available ahead of the dedicated Tricoya® plant becoming operational in 2019.

Medite has been responsible for the majority of sales, however we have commenced sales and marketing activities in regions outside of Medite's licensed region in order to further increase ultimate demand for the Hull plant and to seed new markets in respect of potential additional Tricoya® licensees.

In March 2018 we announced a new Tricoya® user licence agreement with FINSA, one of Europe's longest established MDF and chipboard manufacturers. FINSA has been granted exclusive rights for manufacturing panels from Tricoya® wood elements in Spain and Portugal, with non-exclusive distribution rights in other territories. FINSA will sell the panels under the Tricoya® brand and pay a combination of royalty and licence fees to the Tricoya® Consortium, with the first instalment of the licence fee having been paid in the financial year ended 31 March 2018.

The supply of acetylated material for the production of Tricoya® panels by FINSA will initially be met from the Accoya® plant in Arnhem and then in the form of Tricoya® chips from the new Tricoya® plant in Hull.

The anticipated future demand for Tricoya® chips indicated by FINSA together with the existing offtake agreement with Medite, is expected to result in the Hull plant being significantly loaded and as a consequence cash generative at an earlier point. The Hull plant is expected to be EBITDA break-even at approximately 40% of its production capacity.

€17m of capital expenditure has been invested in the year in respect of the Hull plant (2017: €1.4m), out of a total estimated €59m. Operating costs increased to €3.2m (2017: €1.5m) reflecting the expected increase in activity levels ahead of the completion of the Tricoya® plant. This has included business development with an increase in global interest for Tricoya® and progress with potential new partnerships.

We agreed an acceleration of the remaining €14.4m of equity funding due from BP Chemicals and Medite into Tricoya Ventures UK. This enables us to better manage the foreign exchange risks associated with the project given much of the construction cost is denominated in pounds sterling.

Intellectual Property

We continue to focus on and invest heavily in the generation and protection of intellectual property ('IP') relating to the innovation associated with our acetylation processes and products to ensure ongoing differentiation and competitive advantage in the market place. Recent attention has been given to conducting thorough reviews of those processes for Accoya® and Tricoya® wood products to ensure strong protection is in place. Protection opportunities are also being considered for the next generation of technologies associated with our acetylation process to further improve efficiency, and complementary technologies for our products.

Patenting and/or maintaining valuable know-how as a trade secret remains the typical route through which our innovation is protected. Applications filed now number 288, in 43 countries. To date, 98 patents have been granted in various countries throughout the world.

Management of our know-how, including increasing Company-wide awareness of the importance of protecting and controlling that know-how, remains an essential element of safeguarding our innovation, with confidentiality protocols in place to prevent unauthorised access to such know-how and to place strict contractual obligations on third parties collaborating with Accsys. Particular focus is placed on minimising risks when engaging with third parties, by ensuring Accsys know-how is only shared when absolutely necessary. Controls are also placed on receiving confidential information, to prevent protection associated with our internal research efforts being compromised.

Our well-established trade mark portfolio continues to grow geographically and covers the key distinctive brands Accoya®, Tricoya® and the Trimarque Device under which products are marketed, alongside the corporate Accsys® brand, including transliterations in Arabic, Chinese and Japanese. All of our key brands have now been registered in over 50 countries, becoming valuable house-hold names in the timber and panel industries. Recent activity has focused on additional trade mark filings to further protect the Company brands and to support new products, as well as providing evidence of use to maintain the validity of our trade marks throughout the world.

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

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

Outlook

We are very well positioned to take advantage of the additional capacity from the expanded Arnhem plant which is now available, and as result, for our customers to make positive material choices.

I expect Accoya® sales volumes will grow significantly in the remaining part of the new financial year as production volumes ramp up. This will also result in an improvement in our profitability with the Group operating at an EBITDA positive level in the foreseeable future.

We continue to see the demand for Accoya® and Tricoya® increasing and believe this is due to a combination of factors. We have developed a strong brand, distribution network and other key relationships in the industry. I also believe that there is an increasing realisation in the industry that products such as Accoya® and Tricoya® will serve a long-term role in replacing environmentally damaging man-made products while crucially being able to offer all of the attributes of a high performance product.

We are on track to complete the Tricoya® plant in Hull in mid-2019 calendar year and I believe this will free up additional Accoya® capacity in Arnhem which will be required given the expected increase in sales. For the longer term, we continue to explore options to add further additional capacity to meet expected demand on a global scale and I am very pleased by some of the discussions we are now having with potential new partners.

Paul Clegg
Chief Executive Officer
18 June 2018

Income statement

Revenue

Total revenue for the year ended 31 March 2018 increased by 8% to €60.9m (2017: €56.5m). Within this total Accoya® wood revenue increased by 11% to €56.3m (2017: €50.7m) as a result of sales volumes increasing by 7%, and price increases implemented in the period. Accoya® revenue includes €7.8m of sales to Medite for the manufacture of Tricoya® panels (2017: €7.8m), noting allocations due to capacity constraints in the current year.

Licence income decreased from €1.6m to €0.2m, where revenue in 2017 reflected the agreements with our Accoya® licensee Rhodia Acetow which given the milestone nature of the agreements were not repeated in 2018. The current period licence income relates to Tricoya®.

Other revenue of €4.4m (2017: €4.3m) included €0.3m relating to the Sales and Marketing agreement with Rhodia. The remainder is largely attributable to sales of acetic acid and remained consistent with prior year given similar production levels.

Gross margin

Gross profit margin reduced from 25% to 22%, as a result of lower licence revenue as set out above, and an increase in cost of sales. The Accoya® gross manufacturing margin decreased from 23% to 22% as a result of a one-off €0.5m loss on low grade wood, increased material costs for raw wood and acetyls, together with an additional maintenance stop in the period due to tie-ins for the plant expansion in Arnhem. This was offset by an increase in pricing as noted above from January 2018.

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

Other operating costs (excluding exceptional items)

Other operating costs (excluding exceptional items) increased by 9% to €20.2m (2017: €18.6m). The increase in operating costs is largely due an increase in headcount in the year to an average of 138 (2017: 124), with staff costs excluding foreign exchange movements increasing by €0.8m. This included a share based payment charge of €0.3m (2017: €0.9m). €0.7m (4%) of the increase in staff costs are included in the Tricoya® segment, reflecting the increased activities as the Hull plant is built.

We have seen a further increase of €0.2m in staff costs and €0.1m in other operating costs attributable to foreign exchange resulting from the strengthening of sterling during the year. In addition depreciation increased by €0.3m due to increased charges in Arnhem for the completed infrastructure works and an increase in office and facility costs of €0.2m due to increasing costs for our expanded plant in Arnhem. Sales and marketing costs have risen by €0.2m during the year as the Group prepares for increased sales of Accoya® from the expanded Arnhem facility and the new sales of Tricoya® chips from the plant in Hull.

Loss from operations

The underlying loss from operations increased to €6.6m (2017: loss of €4.2m) due to the reduction in gross margin and the increase in operating costs, as explained above. Loss from operations also includes other gains included as an exceptional item (see below).

Finance income

Finance income of €nil (2017: €2,000) represents interest receivable on bank deposits. In addition interest was received in relation to Tricoya® cash held in respect of the new plant in Hull. This has been capitalised and is included in fixed asset additions.

Finance expense

Finance expense (before exceptional items) of €2.2m (2017: €0.3m) includes the interest element arising on the payments attributable to the sale and leaseback of part of the Group's land and buildings in Arnhem, together with finance charges arising on the London office fit-out lease. The majority of the balance represents interest and other finance charges relating to the Loan Notes issued to in the prior period to Business Growth Fund and Volantis relating to the Tricoya® project (€1.0m) (see note 29). The total charge also includes any finance charges payable in respect of the Group's working capital facilities.

Exceptional items and other adjustments

Underlying operating cost adjustments include:

- €1.4m annual bonus paid in the current year which was attributable to the year ended 31 March 2017. The accrual for the current year bonus is included in underlying operating costs. This double charge in the year results from a re-alignment of the timing of recognition of bonuses reflecting the more structured annual bonus scheme now in place compared to previous years. In addition the bonus paid in the current year relating to the year ended 31 March 2017 included one-off targets relating to the formation of the Tricoya® consortium.
- €0.2m of exceptional restructuring charge has been recorded following necessary staff changes following the formation of the Tricoya® consortium.

- €0.6m foreign exchange loss arose from holding cash in pounds sterling which was held primarily as a cash flow hedge against future Sterling project expenditure on the new plant in Hull. This has been impacted by the volatility of the Sterling/Euro exchange rate (see note 5).

Underlying total comprehensive loss for the year adjustments also include:

- €0.5m of finance expenses relating to foreign exchange differences arising on the Sterling denominated loan notes, entered into in the prior year.
- €0.2m of other comprehensive income in relation to the Group's adoption of cash flow hedge accounting in respect of the Tricoya® plant construction under IFRS 9, Financial Instruments (see note 1)

Research & Development expenditure

€1.6m was incurred on research and development activities in the year (2017: €1.8m). €0.1m (2017: €0.2m) has been capitalised as an intangible asset (see note 16).

Taxation

The net tax credit of €0.3m compares to a €0.7m net charge in the prior year. The tax charge for the year ended 31 March 2018 has reduced compared to the prior year as a result of a change to the Group's transfer pricing policy to more accurately reflect the Group's business model.

Dividends

No final dividend is proposed in 2018 (2017 final dividend: €nil). The Board deems it prudent for the Group to maintain as strong a balance sheet as possible during the current phase of its growth strategy.

Earnings per share

Basic and diluted loss per share was €0.08 (2017 basic and diluted loss per share was €0.06).

Balance sheet

Intangible assets

Intangible asset additions of €0.4m (2017: €0.4m) predominantly relate to capitalised internal development costs for both Accoya® and Tricoya® related activities.

Property, plant and equipment

Property, plant and equipment balance increased by €39.1m to €60.8m (2017: increase of €1.4m). The increase was due to additions of €13.6m relating to the project to expand the Arnhem Accoya® plant through the addition of the third reactor, including €0.4m of capitalised internal staff costs. A further €10.4m is attributable to a new Arnhem warehouse and office facility finance lease arrangement (see note 28). €17.0m relates to the construction of the Tricoya® plant in Hull and €1.0m relates to technology improvements and significant maintenance items at the Arnhem plant.

Available for sale investments

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China Limited, which in 19 April 2017 were converted to 520,001 shares in Cleantech Building Materials PLC. During the year Accsys sold 21,479 shares such that a total of 498,522 shares were held at 31 March 2018. The historical cost of the unlisted shares held at 31 March 2018 is €10m (2017: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2018 (see note 18).

Inventory

The Group had total inventory of €13.1m (2017: €11.8m), including finished goods consisting of Accoya® €2.8m (2017: €5.3m) and raw materials and work in progress, primarily consisting of unprocessed lumber, being €10.3m (2017: €6.5m). The €2.5m decrease in finished goods is attributable to higher sales in the current year, whilst constrained by capacity in our plant in Arnhem. This is off-set by an increase in raw materials, attributable to the planned increase in production in the new financial year to prepare for the start-up of the third reactor in Arnhem.

Cash and cash equivalents

The Group held cash of €39.7m at 31 March 2018 (2017: €41.2m). The decrease in the year is mainly due to cash out-flows from operating activities before changes in working capital of €4.5m including exceptional items, and expenditure on property, plant and equipment of €29.5m. This is partly offset by €12.3m net proceeds from the issue of share capital in Accsys, €14.4m from the issue of share capital in Tricoya Ventures UK Limited to non-controlling interests (see note 9), and €7.5m from the drawdown of our loan with Rhodia for the expansion of the plant in Arnhem. (€34.8m of total Group cash balance relates to the Tricoya® consortium and is not directly available for other group purposes).

€2.9m of cash out-flow was attributable to cash flows from operating activities before changes in working capital (excluding exceptional items) (2017: €0.7m out-flow), as a result of the increase in the loss before taxation to €8.8m (excluding exceptional items).

€2.8m of cash in-flow was attributable to changes in working capital (2017: €0.5m out-flow), including the €3.9m increase in trade and other payables and a €0.2m decrease in trade and other receivables partly offset by a €1.3m increase in inventory.

€29.9m out-flow in respect of investing activities (2017: €2.6m), included €0.4m in respect of capitalised development costs (2017: €0.4m) and €29.5m in respect of tangible fixed assets (2017: €6.4m) including in respect of the expansion of the plant in Arnhem and for the new plant in Hull.

Trade and other receivables

Trade and other receivables have increased to €9.3m (2017: €7.6m). Within this, trade receivables increased from €4.1m to €6.7m due to high sales in March and with VAT receivable increased from €0.6m to €1.5m in line with the increased trade payables, largely for the plant build in Hull. This was off-set by a decrease in prepayments from €3.3m to €2.5m, after an increase last year due to costs being incurred in respect of the Company's Firm Placing and Open Offer which completed in April 2017.

Trade and other payables

Trade and other payables increased to €18.0m (2017: €12.5m). Included within this, trade payables increased to €9.5m (2017: €6.6m), due to an increase in expenditure on tangible fixed assets for both the Accoya® plant in Arnhem, and the Tricoya® plant in Hull. In addition accruals increased from €4.5m to €7.1m due largely to €4.1m of accruals relating to the Tricoya® plant in Hull (2017: €1.0m).

Finance lease creditor

The Group has previously entered into a sale and leaseback agreement for part of the Arnhem land and buildings. The first phase resulted in proceeds of €2.2m which has been accounted for as a finance lease. At 31 March 2018 the Group had €1.7m as lease commitments over the remaining life of the lease (2017: €1.9m) (see note 28). The second part of the previous sale and leaseback of the land in Arnhem was completed in February 2013 and is accounted for as an operating lease.

The sale of the remaining plot of land completed in August 2016 and under the agreement with the purchaser, Bruil, have constructed and leased to Accsys new warehouse and office facilities. The construction is now complete, with a new asset and liability of €10.4m being recognised as at 31 March 2018. A further lease agreement with Bruil was entered into in the period relating to infrastructure work associated with the expansion of the chemical plant. This has been accounted for as a finance lease, with a new asset and liability of €1.9m being recognised as at 31 March 2018 (2017: €0.9m).

Long Term Borrowing

Amounts payable under loan agreements increased to €29.3m (2017: €20.1m). This increase was largely due to the drawdown of the remaining Rhodia loan facility of €7.5m in the period, which has been utilised to fund the costs of the third reactor. The remaining €1.7m increase relates to the roll up of interest and fees on all facilities, as no repayments were due in the year (see note 29).

Non-controlling interests

Part of the agreements relating to the formation of the Tricoya® Consortium on 29 March 2017 included equity investment by the consortium members. During the year a total of €14.4m of equity was issued by TVUK to BP and Medite. This has resulted in an increase in the non-controlling interest of €30.3m as at 31 March 2018 (2017: €12.6m). In the prior year, the difference between the cash received and non-controlling interest recorded was due to the Tricoya® Consortium agreements recognising Accsys' contribution of IP and historical development work, with an implied pre-funding valuation of €35m.

Capital structure

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

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

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

Going concern

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem and eventually, of Tricoya® chips from the new plant in Hull, with the collection of on-going working capital items in line with internally agreed budgets. The Group is also dependent upon certain banking and finance facilities which are in place.

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

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

William Rudge
Finance Director
18 June 2018

Director's Report for the year ended 31 March 2018

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2018.

Results and dividends

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

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

Principal activities and review of the business

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

Business model and Strategy

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

Financial instruments

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

Share issues

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

97,720 shares were issued on 23 June 2017 to an Employee Benefit Trust ('EBT') at nominal value.

198,154 shares were issued on 27 September 2017 to an Employee Benefit Trust ('EBT') at nominal value.

106,189 shares were issued on 27 September 2017 to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP')

143,511 shares were issued on 26 February 2018 to an ex-employee. 118,511 of these Shares were issued following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ('LTIP'), with the balance of 25,000 Shares issued as part of the individual's severance terms.

Principal risks and uncertainties

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

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

Greenhouse gas ('GHG') emissions

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

Global GHG emissions data for year 1 April 2017 to 31 March 2018			
	2017-2018	**2016-2017**	**2015-2016**
	kg CO2eq		
Electricity, heat, steam and cooling for own use - GROSS	3,234,185	2,804,839	3,309,630
Electricity, heat, steam and cooling for own use - NET (including Renewable Energy Credits)	1,941,139	1,511,794	1,651,470
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	3,117,809	3,109,664	2,726,868
TOTAL – GROSS	6,351,994	5,914,503	6,036,498
External carbon offsets (Voluntary Carbon Offsetting through BP Target Neutral)	- 1,524,000	- 1,524,000	- 1,420,000
TOTAL - NET (including Renewable Energy Credits / Carbon offsets)	3,534,948	3,097,458	2,958,338
Chosen intensity measurement: Emissions per cubic meter Accoya produced - GROSS	162	155	181
Chosen intensity measurement: Emissions per cubic meter Accoya produced - NET (including Renewable Energy Credits / Carbon offsets)	**90**	**81**	**88**

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

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

Directors

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

Sean Christie
Paul Clegg
Sue Farr
Montague John 'Nick' Meyer
Hans Pauli
William Rudge
Patrick Shanley
Trudy Schoolenberg (appointed 1 April 2018)

Directors' indemnities

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

Employment policies

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

19% of employees in the year ended 31 March 2018 were female. 25% of the senior management team were female and one of the Board of Directors was female.

Health and safety

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

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

Significant shareholdings

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

• Teslin Participaties Cooperatief U.A.	12.22%
• Henderson Group PLC	5.94%
• Decico BV	5.07%
• Majedie UK Equity Fund	5.06%
• Invesco Limited	4.87%
• The London & Amsterdam Trust Company Limited	4.51%
• FIL Limited (formerly known as Fidelity International Limited)	4.26%
• Saad Investments Company Limited	3.92%
• Zurab Lysov	3.71%

There are no restrictions in respect of voting rights.

Going concern

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

Corporate Governance

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

Disclosure of information to auditors

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

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

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

Independent Auditors

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

By order of the Board

Angus Dodwell
Company Secretary
18 June 2018

Details of the Company's corporate governance arrangements are set out below. The Board of Directors acknowledges the importance of the Principles set out in The UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in 2016. The FRC's UK Corporate Governance Code is not currently compulsory for AIM listed or Euronext listed companies however, during the past year, the Board has applied its principles as far as practicable and appropriate for a relatively small public company. The Board is now reviewing the most appropriate recognised code for it to apply in advance of AIM rule 26 becoming effective in September 2018.

The Board of Directors

During the year the Board comprised a Non-executive Chairman, three Non-executive Directors and three Executive Directors, with an additional Non-executive Director, Trudy Schoolenberg, being appointed on the 1st April 2018 who is also the Senior Independent Director.

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

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

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

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

Audit Committee

The Audit Committee consisted of Sean Christie (Chairman), Patrick Shanley, Nick Meyer and Sue Farr, with Trudy Schoolenberg being appointed on the 1st April 2018. The Audit Committee meets at least twice a year and is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board. The Committee also discusses the scope of the audit and its findings and considers the appointment and fees of the external auditors. The Audit Committee continues to believe that it is not currently appropriate for the Company to maintain a dedicated internal audit function due to its size.

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

Nominations & Remuneration Committee

The Nominations and Remuneration Committee consists of Sue Farr (Chairman), Patrick Shanley, Sean Christie and Nick Meyer, with Trudy Schoolenberg being appointed on the 1st April 2018. The Committee's role is to consider and approve the nomination of Directors and the remuneration and benefits of the Executive Directors, including the award of share options and bonus share awards. In framing the Company's remuneration policy, the Nominations & Remuneration Committee has given full consideration to Section D of The UK Corporate Governance Code.

Internal Financial Control

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

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

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

Relations with shareholders

Communications with shareholders are given high priority.

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

Directors' attendance record

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

	Board		**Audit Committee**		**Nomination & Remuneration Committee**	
Number of meetings	**Attended**	**Serving**[1]	**Attended**[2]	**Serving**	**Attended**[3]	**Serving**
Michael 'Sean' Christie	7	10	3	3	5	5
Paul Clegg	10	10	3	-	1	-
Sue Farr	9	10	3	3	5	5
Hans Pauli	8	10	3	-	1	-
Patrick Shanley	8	10	3	3	5	5
Montague John 'Nick' Meyer	6	10	2	3	4	5
William Rudge	10	10	3	-	1	-

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

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

Notes

1. During the year there were 8 full board meetings, of which 2 meetings were convened on an ad hoc basis. In addition, 2 ad hoc meetings of a committee of the board were convened. Patrick Shanley and Hans Pauli attended all 8 full board meetings, Sue Farr attended all 8 board meetings and one committee meeting. Sean Christie attended 7 out of 8 full board meetings, being unable to attend 1 ad hoc meeting. Nick Meyer attended 6 out of 8 full board meetings, being unable to attend 1 ad hoc meeting. William Rudge and Paul Clegg attended all full board and committee meetings.
2. Messrs Clegg, Pauli and Rudge attended for part of the three audit committee meetings held on 14 June 2017, 16 November 2017 and 13 March 2018
3. Messrs Clegg, Pauli and Rudge attended for part of the Nomination & Remuneration Committee meeting held on 2 February 2018.

Accsys Technologies PLC

Consolidated statement of comprehensive income for the year ended 31 March 2018

	Note	2018 €'000 Before exceptional items & other adjustments*	2018 €'000 Exceptional items and other adjustments*	2018 €'000 Total	2017 €'000 Before exceptional items & other adjustments*	2017 €'000 Exceptional items and other adjustments*	2017 €'000 Total
Accoya® wood revenue		56,331	-	56,331	50,655	-	50,655
Licence revenue		200	-	200	1,576	-	1,576
Other revenue		4,380	-	4,380	4,298	-	4,298
Total revenue	3	60,911	-	60,911	56,529	-	56,529
Cost of sales		(47,270)	-	(47,270)	(42,175)	-	(42,175)
Gross profit		13,641	-	13,641	14,354	-	14,354
Other operating costs	4	(20,218)	(2,184)	(22,402)	(18,551)	(343)	(18,894)
Other gains	5	-	32	32	-	635	635
Operating (loss)/gain	8	(6,577)	(2,152)	(8,729)	(4,197)	292	(3,905)
Finance income	10	-	-	-	2	-	2
Finance expense	11	(2,174)	502	(1,672)	(302)	(258)	(560)
(Loss)/Gain before taxation		(8,751)	(1,650)	(10,401)	(4,497)	34	(4,463)
Tax credit/(expense)	12	251	-	251	(666)	-	(666)
(Loss)/gain for the year		(8,500)	(1,650)	(10,150)	(5,163)	34	(5,129)
Loss arising on translation of foreign operations, which could subsequently be reclassified into profit or loss		(56)	-	(56)	(108)	-	(108)
Gain arising on foreign currency hedging, which will not be reclassified into profit or loss		-	202	202	-	104	104
Total other comprehensive (loss)/income		(56)	202	146	(108)	104	(4)
Total comprehensive (loss)/gain for the year		(8,556)	(1,449)	(10,004)	(5,271)	138	(5,133)
Total comprehensive (loss)/gain for the year is attributable to:							
Owners of Accsys Technologies PLC		(7,592)	(1,449)	(9,040)	(5,058)	68	(4,990)
Non-controlling interests		(964)	-	(964)	(213)	70	(143)
Total comprehensive (loss)/gain for the year		(8,556)	(1,449)	(10,004)	(5,271)	138	(5,133)
Basic and diluted loss per ordinary share	14	€(0.07)		€(0.08)	€(0.05)		€(0.06)

Prior year has been restated to reflect the adoption of IFRS 9 and to represent exceptional and other adjustments on a consistent basis (see note 5).

The notes form an integral part of these financial statements.

* See note 5 for details of exceptional items and other adjustments

Accsys Technologies PLC

Consolidated statement of financial position as at 31 March 2018

Registered Company 05534340

	Note	2018 €'000	2017 €'000 (restated)
Non-current assets			
Intangible assets	16	10,653	10,839
Property, plant and equipment	17	60,835	21,681
Available for sale investments	18	-	-
		71,488	32,520
Current assets			
Inventories	21	13,125	11,796
Trade and other receivables	22	9,335	7,612
Cash and cash equivalents		39,698	41,173
Corporation tax receivable		1,347	687
		63,505	61,268
Current liabilities			
Trade and other payables	23	(18,012)	(12,524)
Obligation under finance lease	28	(1,323)	(455)
Other Long Term Borrowing	29	(2,062)	-
Corporation tax payable		(17)	(1,620)
		(21,414)	(14,599)
Net current assets		42,091	46,669
Non-current liabilities			
Obligation under finance lease	28	(12,849)	(2,621)
Other Long Term Borrowing	29	(27,235)	(20,097)
		(40,084)	(22,718)
Net assets		73,495	56,471
Equity			
Share capital	24	5,576	4,531
Share premium account		140,036	128,792
Other Reserves	25	109,425	113,460
Accumulated loss		(211,830)	(202,944)
Own shares		(15)	(33)
Foreign currency translation reserve		(11)	45
Capital value attributable to owners of Accsys Technologies PLC		43,181	43,851
Non-controlling interest in subsidiaries		30,314	12,620
Total equity		73,495	56,471

The financial statements were approved by the Board of Directors on 18 June 2018 and signed on its behalf by

Paul Clegg

William Rudge **Directors**

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Consolidated statement of changes in equity for the year ended 31 March 2018

	Share capital Ordinary €000	Share premium €000	Other reserves €000	Own Shares €000	Foreign currency trans-lation reserve €000	Accumu-lated Loss €000	Total equity attributable to equity shareholders of the company €000	Non-Controlling interests €000	Total Equity €000
Balance at 31 March 2016	4,495	128,792	107,441	(47)	153	(198,842)	41,992	61	42,053
Total comprehensive income/(expense) for the period	-	-	104	-	(108)	(4,986)	(4,990)	(143)	(5,133)
Share based payments	-	-	-	-	-	884	884	-	884
Shares issued	36	-	-	14	-	-	50	-	50
Issue of subsidiary shares to non-controlling interests	-	-	6,491	-	-	-	6,491	12,702	19,193
Issue of subsidiary shares to Group companies	-	-	(576)	-	-	-	(576)	-	(576)
Balance at 31 March 2017	4,531	128,792	113,460	(33)	45	(202,944)	43,851	12,620	56,471
Total comprehensive income/(expense) for the period	-	-	202	-	(56)	(9,186)	(9,040)	(964)	(10,004)
Share based payments	-	-	-	-	-	300	300	-	300
Shares issued	1,045	-	-	18	-	-	1,063	-	1,063
Premium on shares issued	-	13,007	-	-	-	-	13,007	-	13,007
Share issue costs	-	(1,763)	-	-	-	-	(1,763)	-	(1,763)
Issue of subsidiary shares to non-controlling interests	-	-	(4,237)	-	-	-	(4,237)	18,658	14,421
Balance at 31 March 2018	5,576	140,036	109,425	(15)	(11)	(211,830)	43,181	30,314	73,495

Prior year has been restated to reflect the adoption of IFRS 9 (see note 5).

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

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

See note 25 for details concerning Other reserves

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

Own shares represents a total of 97,720 and 198,154 shares issued to an Employee Benefit Trust ('EBT') at nominal value on 23 June 2017 and 27 September 2017 respectively. These shares shall vest if the employees, remain in employment with the Company to the vesting date, being 1 July 2018 (subject to certain other provisions including good-leaver, take-over and committee discretion provisions). (note 15).

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

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

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Consolidated statement of cash flow for the year ended 31 March 2018

	2018 €'000	2017 €'000
Loss before taxation before exceptional items and other adjustments	(8,751)	(4,497)
Adjustments for:		
Amortisation of intangible assets	582	556
Depreciation of land, property, plant and equipment	2,496	2,157
Net loss on disposal of property, plant and equipment	-	55
Net finance expense	2,174	302
Equity-settled share-based payment expenses	300	884
Currency translation losses/(gains)	268	(129)
Cash flows used in operating activities before changes in working capital	(2,931)	(672)
Exceptional Items in operating activities (see note 5)	(1,617)	(517)
Cash outflows from operating activities before changes in working capital	(4,548)	(1,189)
Decrease/(Increase) in trade and other receivables	215	(2,936)
Increase in inventories	(1,331)	(3,322)
Increase in trade and other payables	3,908	5,737
Net cash used in operating activities before tax	(1,756)	(1,710)
Tax (paid)	(2,013)	(745)
Net cash absorbed by operating activities	(3,769)	(2,455)
Cash flows from investing activities		
Interest received	45	2
Proceeds from disposal of property, plant and equipment	32	4,223
Expenditure on property, plant and equipment	(29,530)	(6,416)
Expenditure on intangible assets	(397)	(415)
Net cash used in investing activities	(29,850)	(2,606)
Cash flows from financing activities		
Proceeds from loans	7,500	20,736
Other financing costs	(325)	(954)
Interest paid	(716)	(250)
Repayment of finance lease	(322)	(173)
Proceeds from issue of share capital	14,079	50
Proceeds from issue of subsidiary shares to non-controlling interests	14,420	19,122
Share issue costs	(1,771)	(805)
Net cash from financing activities	32,865	37,726
Net (decrease)/increase in cash and cash equivalents	(754)	32,665
Effect of exchange rate changes on cash and cash equivalents	(721)	322
Opening cash and cash equivalents	41,173	8,186
Closing cash and cash equivalents	39,698	41,173

The notes form an integral part of these financial statements.

1. Accounting Policies

General information

The financial information set out in these preliminary results does not constitute the company's statutory accounts for the periods ended 31 March 2018 or 31 March 2017. Statutory accounts for the period ended 31 March 2017 have been filed with the Registrar of Companies and those for the period ended 31 March 2018 will be delivered to the Registrar in due course; both have been reported on by the auditors. The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2017 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2018 is unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Basis of accounting

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

Going Concern

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem and eventually, of Tricoya® chips from the new plant in Hull, with the collection of on-going working capital items in line with internally agreed budgets. The Group is also dependent upon certain banking and finance facilities which are in place.

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

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

Changes in accounting policies

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

The accounting policies and methods of computation are consistent with those applied in the 31 March 2017 annual financial statements, other than during the period IFRS9, Financial Instruments has been adopted together with hedge accounting in respect of the future currency exposures in respect of the Tricoya® plant construction. The previous year's figures have been restated and represented accordingly. An assessment was carried out to identify all areas impacted under the adoption of IFRS 9 and currently there is no other impact for the year ending 31 March 2018.

Exceptional Items

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

Business combinations

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

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

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

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

Revenue recognition

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

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

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

Finance income

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

Finance expense

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

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

Interest on the £16.25 million unsecured fixed rate loan notes issued to Business Growth Fund ('BGF') and Volantis has been expensed. Interest on the €9.5 million term loan drawn down from Rhodia Acetow GmBH, to part-finance capital expenditure at the Arnhem plant, has been capitalised as it is directly attributable to the expansion. In addition interest and other charges on the €17.2m facility with Royal Bank of Scotland Plc, to part-finance capital expenditure at the Hull plant, has been capitalised as it is directly attributable to the plant build.

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

Share based payments

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

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

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

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

Dividends

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

Pensions

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

Taxation

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

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

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

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

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

Foreign currencies

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

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

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

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

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. In adopting IFRS 9 the Group has retrospectively applied the standard to restate prior period comparatives.

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.

Apart from the above, the directors do not anticipate that the application of the IFRS 9 hedge accounting requirements have had a material impact on the Group's consolidated financial statements.

Government grants

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

Goodwill

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

Other intangible assets

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

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

Property, plant and equipment

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

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

Impairment of non-financial assets

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

Leases

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

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

Inventories

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

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

Financial assets

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

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

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

Trade and other receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise principally from the provision of goods and services to customers. Trade receivables are initially recognised at fair value less an allowance for any uncollectible amounts. A provision for impairment is made when there is objective evidence that the Group will not be able to collect debts. Bad debts are written off when identified. The Group has elected to apply the IFRS 9 practical expedient option to measuring the value of its trade receivables at transaction price, as they do not contain a significant financing element. The Group's trade receivables do not have a significant financing element, as the expected term is less than one year. Consequently, the Group applies IFRS 9's 'simplified' approach that requires companies to recognise the lifetime expected losses on its trade receivables when they do not contain a significant financing element.

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

Financial liabilities

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

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

Share capital

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

Segmental Reporting

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

2. Accounting judgements and estimates

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

Accounting estimates

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

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

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 judgments 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 an assessment of the work required before the licence is signed and subsequently during the construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. The Group also considers the recoverability of amounts before recognising them as income.

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

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

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

Taxation

The tax charge for the year ended 31 March 2018 has reduced compared to the prior year as a result of a change to the group's transfer pricing policy to more accurately reflect the business model.

New standards and interpretations in issue at the date of authorisation of these financial statements:

New standards, amendments and interpretations
No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2017, have had a material impact on the group or parent company other than IFRS 9 which has been early adopted as set out above.

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

- IFRS 11 (amendments) 'Joint arrangements'
- IFRS 14 'Regulatory deferral accounts'
- IFRS 15 'Revenue from contracts with customers'
- IFRS 16 'Leases'
- IAS 1 (amendments) 'presentation of financial statements'
- IAS 19 (amendments) 'Employee contributions'
- IAS 16 (amendments) 'property plant and equipment'
- IAS 38 (amendments) 'Intangible assets'

- IAS 27 (amendments) 'Separate financial statements'
- IAS 28 (amendments) 'Associates and joint ventures'

The above standards are expected to be adopted when they become mandatorily effective. An initial assessment in respect of the possible impact of IFRS 15 has been undertaken and is not expected to have a material impact on the financial statements in future periods. An assessment of IFRS 16 is being undertaken however is likely to have a material impact given the Group holds a number of significant lease arrangements.

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

3. Segmental reporting

The Group's business is the manufacturing of and development, commercialisation and licensing of the associated proprietary technology for the manufacture of Accoya® wood, Tricoya® wood elements and related acetylation technologies. Segmental reporting is divided between corporate activities, activities directly attributable to Accoya®, to Tricoya® or research and development activities. This note has been represented to separately reflect exceptional items and other adjustments within each segment for the prior year.

Accoya®

	Accoya Segment					
	Year ending 31 March 2018 Before exceptional items & other adjustments €'000	Year ending 31 March 2018 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2018 TOTAL €'000**	Year ending 31 March 2017 Before exceptional items & other adjustments €'000	Year ending 31 March 2017 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2017 TOTAL €'000**
Accoya® wood revenue	56,331	-	**56,331**	50,655	-	**50,655**
Licence revenue	-	-	**-**	1,576	-	**1,576**
Other revenue	4,380	-	**4,380**	4,268	-	**4,268**
Total Revenue	60,711	-	**60,711**	56,499	-	**56,499**
Cost of sales	(47,270)	-	**(47,270)**	(42,175)	-	**(42,175)**
Gross profit	13,441	-	**13,441**	14,324	-	**14,324**
Other operating costs	(11,458)	(348)	**(11,806)**	(10,648)	-	**(10,648)**
Other Gain	-	-	**-**	-	635	**635**
Profit/(Loss) from operations	1,983	(348)	**1,635**	3,676	635	**4,311**
Profit/(Loss) from operations	1,983	(348)	**1,635**	3,676	635	**4,311**
Depreciation and amortisation	2,661	-	**2,661**	2,357	-	**2,357**
EBITDA	4,644	(348)	**4,296**	6,033	635	**6,668**

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

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

See note 5 for explanation of Exceptional Items and other adjustments.

Headcount = 105 (2017: 96)

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.

	2018 €'000	2017 €'000
Accoya segmental underlying EBITDA	4,644	6,033
Accoya Licence Income	-	(1,576)
Other income, predominantly for marketing services	(253)	(338)
Accoya segmental underlying EBITDA (excluding. Licence Income)	4,391	4,118
Accoya segmental gross profit	13,441	14,324
Accoya Licence Income	-	(1,576)
Other income, predominantly for marketing services	(253)	(338)
Accoya manufacturing gross profit	13,188	12,410
Gross Accoya Manufacturing Margin	22%	23%

Tricoya®

	Tricoya Segment					
	Year ending 31 March 2018 Before exceptional items & other adjustments €'000	Year ending 31 March 2018 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2018 TOTAL €'000**	Year ending 31 March 2017 Before exceptional items & other adjustments €'000	Year ending 31 March 2017 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2017 TOTAL €'000**
Tricoya® wood revenue	-	-	**-**	-	-	**-**
Licence revenue	200	-	**200**	-	-	**-**
Other revenue	-	-	**-**	30	-	**30**
Total Revenue	200	-	**200**	30	-	**30**
Cost of sales	-	-	**-**	-	-	**-**
Gross profit	200	-	**200**	30	-	**30**
Other operating costs	(2,653)	(763)	**(3,416)**	(1,795)	173	**(1,622)**
Profit/(Loss) from operations	(2,453)	(763)	**(3,216)**	(1,765)	173	**(1,592)**
Profit/(Loss) from operations	(2,453)	(763)	**(3,216)**	(1,765)	173	**(1,592)**
Depreciation and amortisation	197	-	**197**	171	-	**171**
EBITDA	(2,256)	(763)	**(3,019)**	(1,594)	173	**(1,421)**

Revenue and costs are those attributable to the business development of the Tricoya® process and establishment of Tricoya® Hull Plant.

See note 5 for explanation of Exceptional Items and other adjustments.

Headcount = 4 (2017: 4), noting a substantial proportion of the costs to date have been incurred via recharges from other parts of the Group or have resulted from contractors.

Corporate

	Corporate Segment					
	Year ending 31 March 2018 Before exceptional items & other adjustments €'000	Year ending 31 March 2018 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2018 TOTAL €'000**	Year ending 31 March 2017 Before exceptional items & other adjustments €'000	Year ending 31 March 2017 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2017 TOTAL €'000**
Accoya® wood revenue	-	-	**-**	-	-	**-**
Licence revenue	-	-	**-**	-	-	**-**
Other revenue	-	-	**-**	-	-	**-**
Total Revenue	-	-	**-**	-	-	**-**
Cost of sales	-	-	**-**	-	-	**-**
Gross result	-	-	**-**	-	-	**-**
Other operating costs	(4,703)	(918)	**(5,621)**	(4,343)	(517)	**(4,860)**
Other Gain	-	32	**32**	-	-	**-**
Loss from operations	(4,703)	(886)	**(5,589)**	(4,343)	(517)	**(4,860)**

Loss from operations	(4,703)	(886)	**(5,589)**	(4,343)	(517)	**(4,860)**
Depreciation and amortisation	166	-	**166**	133	-	**133**
EBITDA	(4,537)	(886)	**(5,423)**	(4,210)	(517)	**(4,727)**

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.

Headcount = 19 (2017: 15)

Research and Development

	Research & Development Segment					
	Year ending 31 March 2018 Before exceptional items & other adjustments €'000	Year ending 31 March 2018 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2018 TOTAL €'000**	Year ending 31 March 2017 Before exceptional items & other adjustments €'000	Year ending 31 March 2017 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2017 TOTAL €'000**
Accoya® wood revenue	-	-	**-**	-	-	**-**
Licence revenue	-	-	**-**	-	-	**-**
Other revenue	-	-	**-**	-	-	**-**
Total Revenue	-	-	**-**	-	-	**-**
Cost of sales	-	-	**-**	-	-	**-**
Gross result	-	-	**-**	-	-	**-**
Other operating costs	(1,404)	(155)	**(1,559)**	(1,763)	-	**(1,763)**
Loss from operations	(1,404)	(155)	**(1,559)**	(1,763)	-	**(1,763)**

Loss from operations	(1,404)	(155)	**(1,559)**	(1,763)	-	**(1,763)**
Depreciation and amortisation	54	-	**54**	52	-	**52**
EBITDA	(1,350)	(155)	**(1,505)**	(1,711)	-	**(1,711)**

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

Headcount = 10 (2017: 9)

Total

	TOTAL					
	Year ending 31 March 2018 Before exceptional items & other adjustments €'000	Year ending 31 March 2018 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2018 TOTAL €'000**	Year ending 31 March 2017 Before exceptional items & other adjustments €'000	Year ending 31 March 2017 Exceptional items & Other Adjustments €'000	**Year ending 31 March 2017 TOTAL €'000**
Accoya®/Tricoya® wood revenue	56,331	-	**56,331**	50,655	-	**50,655**
Licence revenue	200	-	**200**	1,576	-	**1,576**
Other revenue	4,380	-	**4,380**	4,298	-	**4,298**
Total Revenue	60,911	-	**60,911**	56,529	-	**56,529**
Cost of sales	(47,270)	-	**(47,270)**	(42,175)	-	**(42,175)**
Gross profit	13,641	-	**13,641**	14,354	-	**14,354**
Other operating costs	(20,218)	(2,184)	**(22,402)**	(18,551)	(343)	**(18,894)**
Other Gain	-	32	**32**	-	635	**635**
Profit/(Loss) from operations	(6,577)	(2,152)	**(8,729)**	(4,197)	292	**(3,905)**
Finance income	-	-	**-**	2	-	**2**
Finance expense	(2,174)	502	**(1,672)**	(302)	(258)	**(560)**
Loss before taxation	(8,751)	(1,650)	**(10,401)**	(4,497)	34	**(4,463)**

Profit/(Loss) from operations	(6,577)	(2,152)	**(8,729)**	(4,197)	292	**(3,905)**
Depreciation and amortisation	3,078	-	**3,078**	2,712	-	**2,712**
EBITDA	(3,499)	(2,152)	**(5,651)**	(1,485)	292	**(1,193)**

Other adjustments included within finance expenses related to the revaluation of loan notes with Business Growth Fund ('BGF') and 1798 Volantis Catalyst Fund II ('Volantis'), which are denominated in pounds sterling.

Analysis of Revenue by geographical area of customers:	**2018 €'000**	**2017 €'000**
UK and Ireland	25,799	25,307
Rest of Europe	15,273	12,984
Americas	8,153	5,810
Benelux	5,998	7,992
Asia-Pacific	5,252	4,009
Rest of World	436	427
	60,911	56,529

Revenue generated from three customers exceeded 10% of Group revenue of 2018. This included 79% of the revenue from the rest of Europe and relates to a mixture of Accoya® and Other Revenue. In addition two other customers represented 37% and 30% respectively, of the revenue from the United Kingdom and Ireland and relates to Accoya® revenue. Revenue generated from three customers exceeded 10% of Group revenue in 2017 (93% of the revenue from the rest of Europe, and 33% and 31% respectively, of the revenue from the United Kingdom and Ireland).

Assets and liabilities on a segmental basis:

	Accoya 2018 €'000	Tricoya 2018 €'000	Corporate 2018 €'000	R&D 2018 €'000	TOTAL 2018 €'000	Accoya 2017 €'000	Tricoya 2017 €'000	Corporate 2017 €'000	R&D 2017 €'000	TOTAL 2017 €'000
Non-current assets	46,411	21,521	3,485	71	**71,488**	24,140	4,685	3,580	115	**32,520**
Current assets	25,112	36,095	(2,084)	4,382	**63,505**	21,893	36,998	(2,202)	4,579	**61,268**
Current liabilities	(14,034)	(8,318)	983	(45)	**(21,414)**	(7,845)	(3,900)	(2,732)	(122)	**(14,599)**
Net current assets	11,078	27,777	(1,101)	4,337	**42,091**	14,048	33,098	(4,934)	4,457	**46,669**
Non-current liabilities	(21,974)	(334)	(17,776)	-	**(40,084)**	(4,488)	-	(18,230)	-	**(22,718)**
Net assets	35,515	48,964	(15,392)	4,408	**73,495**	33,700	37,783	(19,584)	4,572	**56,471**

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

	2018 €'000	**2017 €'000**
UK	26,780	7,775
Other countries	40,475	20,513
Un-allocated - Goodwill	4,231	4,231
	71,488	32,520

The segmental assets in the current year were predominantly held in the UK and mainland Europe (Prior Year Europe). Additions to property, plant, equipment and intangible assets in the current year were predominantly incurred in the UK and mainland Europe (Prior Year Europe). There are no significant intersegment revenues.

4. Other operating costs

Other operating costs consist of the operating costs, other than the cost of sales, associated with the operation of the plant in Arnhem, the offices in Dallas and London and certain pre-operating costs associated with the plant in Hull:

	2018 €'000	**2017 €'000**
Sales and marketing	3,967	3,773
Research and development	1,404	1,711
Depreciation and amortisation	3,078	2,713
Other operating costs	4,135	3,243
Administration costs	7,635	6,833
Exceptional Items and other adjustments	2,184	343
	22,402	18,894

Administrative costs include cost associated with Business Development and Legal departments, Intellectual Property as well as Human Resources, IT, Finance, Management and General Office and includes the costs of the Group's head office costs in London and the US Office in Dallas.

The total cost of €22,402,000 in the current period includes €3,416,000 in respect of the Tricoya® segment, compared to €1,622,000 in the previous period.

Group average headcount increased from 124 in the period to 31 March 2017, to 138 in the period to 31 March 2018.

During the period, €397,000 (2017: €525,000) of development costs were capitalised and included in intangible fixed assets, including €337,000 (2017: €462,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €446,000 of internal costs have been capitalised in relation to the expansion of our plant in Arnhem, Netherlands (2017: €637,000) and €109,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (2017: €110,000). Both are included within tangible fixed assets.

5. Exceptional items and other adjustments

	Audited Year ended 31 March 2018 €'000	Audited Year ended 31 March 2017 €'000
Bonuses paid relating to year ending 31 March 2017	(1,386)	-
Restructuring costs	(231)	-
Gain from disposal of assets	32	635
Business Development advisory fees	-	(517)
Total exceptional items	(1,585)	118
Foreign exchange differences arising on Tricoya cash held - Operating costs	(567)	174
Foreign exchange differences arising on Loan Notes - incl. in Finance expense	502	(258)
Foreign exchange differences on Tricoya cash held - Other comprehensive income *	202	104
Total other adjustments	137	20
Tax on exceptional items and other adjustments	-	-
Total exceptional items and other adjustments	(1,448)	138

Prior year has been restated to reflect the adoption of IFRS 9 and to represent exceptional and other adjustments on a consistent basis.

Note*: Items stated above as recorded in Other comprehensive income have been restated such that in the financial statements for the year ended 31 March 2017 the €104,000 of foreign exchange gains had been recorded within Operating costs. The restatement has resulted in a corresponding restatement of the opening balance of Other Reserves as stated in the Statement of Changes in Equity.

Exceptional Items

€1,386,000 relates to the annual bonus paid in the current year which was attributable to the year ended 31 March 2017. Separately the accrual for the current year bonus is included in underlying operating costs. This double charge in the year results from a re-alignment of the timing of recognition of bonuses reflecting the more structured annual bonus scheme now in place compared to previous years. In addition the bonus paid in the current year relating to the year ended 31 March 2017 included one-off targets relating to the formation of the Tricoya® consortium. The charge is split between all segments, including €293,000 in Accoya®, €124,000 in Tricoya®, €901,000 Corporate and €67,000 in R&D.

Other restructuring costs relate to changes required following the completion of the Tricoya® consortium in March 2017. This is split between all segments, including €54,000 in Accoya®, €67,000 Tricoya®, €18,000 Corporate and €92,000 R&D.

Agreements were reached in August 2016 for the sale and leaseback for the land in Arnhem resulting in proceeds of €4.2m received in the prior period. A resulting gain of €635,000 was recognised in the previous year as a result of the book value of the land being lower than the sale price. The full amount relates to the Accoya® segment.

Business Development advisory fees were incurred during the prior year as the Group pursued a one-off long-term opportunity. The full amount relates to the corporate segment.

Other Adjustments

Foreign exchange differences in the Tricoya® segment have occurred due to pounds sterling held within the consortium in preparation for the Hull Plant build. The Group has mitigated this currency exchange risk by adopting hedge accounting in respect of the Tricoya® plant construction under IFRS 9, Financial Instruments. The prior year has also been represented and restated to highlight the comparative impact in the prior year. The result of adopting IFRS 9 is that all of the amount included in Other Comprehensive Income relates to such foreign exchange gain or losses in both periods.

Foreign exchange differences also arise on the pounds sterling denominated loan notes, entered into in the prior year. These exchange rate differences are included as finance expenses. The prior year has also been represented to reflect the comparative impact in the prior year.

6. Employees

	2018 €'000	2017 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	11,293	8,783
Social security costs	1,509	1,186
Other pension costs	739	617
Share based payments	258	908
	13,799	11,494

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

	2018	2017
Sales and marketing, administration, research and engineering	85	78
Operating	53	46
	138	124

7. Directors' remuneration

	2018 €'000	2017 €'000
Directors' remuneration consists of:		
Directors' emoluments	1,291	1,625
Company contributions to money purchase pension schemes	49	51
	1,340	1,676

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits €'000	Pension €'000	Share based payments charge €'000	2018 Total €'000	2017 Total €'000
Paul Clegg	473	29	14	516	726
Hans Pauli	329	12	10	351	425
William Rudge	256	8	8	272	333
	1,058	49	32	1,139	1,484

The Group made contributions to 2 (2017: 2) Directors' personal pension plans, with Paul Clegg receiving cash in lieu of pension from 1 April 2016.

The figures in the above table are impacted by foreign exchange noting that the remuneration for P Clegg and W Rudge are denominated in Pounds Sterling. Their total remuneration decreased by 38% and 54% respectively, when excluding the impact of foreign exchange.

8. Operating (loss)/gain

	2018 €'000	2017 €'000
This has been arrived at after charging:		
Staff costs	13,799	11,494
Depreciation of property, plant and equipment	2,496	2,157
Amortisation of intangible assets	582	556
Operating lease rentals	1,306	1,351
Foreign exchange losses/(gains)	834	(403)
Research & Development (excluding staff costs)	997	873
Loss on disposal of property, plant and equipment	3	79
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	85	65
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	147	112
- audit related assurance services	25	22
Total audit and audit related services:	257	199
- tax compliance services	-	87
- all other services*	-	289
Total tax and other services:	-	376

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

9. Tricoya Technologies Limited

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

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

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

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

BP have invested €20.3 million in the Tricoya® Project, including €13.7 million as equity in TVUK by BP Chemicals and €6.6 million as equity in TTL by BP Ventures. All funding was received by 31 March 2018, with €11.3m being received in the year ended 31 March 2018.

Medite have invested €11 million in the Tricoya® Project, including €7 million as equity in TTL and €4 million as equity in TVUK. All funding was received by 31 March 2018, with €3.1m being received in the in the year ended 31 March 2018.

The Group is expected to increase its total equity interest in TTL to 75.9% over the next two years as a result of its continued supply of lower priced Accoya® to Medite to enable continued market development ahead of the completion of the Hull Plant. During the year the Group increased its shareholding from 74.6% to 75.1% from the issue of 780,287 shares related to this market seeding activity.

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

Also in the prior year, TVUK entered a six-year €17.2 million (€15 million net) finance facility agreement with The Royal Bank of Scotland Plc in respect of the construction and operation of the Hull Plant. As at 31 March 2018 the Group have utilised €334k of the facility in relation to fees incurred.

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

The "TTL Group" income statement and balance sheet, consisting of TTL and its subsidiary TVUK, are set out on the following page:

TTL Group income statement:

	Consolidated 2018 €'000	Consolidated 2017 €'000
Revenue	200	-
Costs:		
Staff costs	(1,898)	(1,145)
Research & development (excluding staff costs)	(223)	(200)
Intellectual Property	(381)	(606)
Sales & marketing	(376)	(12)
Depreciation & Amortisation	(197)	(171)
EBIT	(2,875)	(2,133)
EBIT attributable to Accsys shareholders	(1,911)	(1,920)

TTL Group balance sheet:

	2018 €'000	2017 €'000
Non-current assets		
Intangible assets	3,390	3,246
Property, plant and equipment	18,119	1,440
	21,509	4,686
Current assets		
Receivables due within one year	1,340	612
Cash and cash equivalents	34,754	36,386
	36,094	36,998
Current liabilities		
Trade and other payables	(8,639)	(3,900)
Net current assets	27,455	33,098
Net assets	48,964	37,783
Value attributable to Accsys Technologies	18,649	25,163

10. Finance income

	2018 €'000	2017 €'000
Interest receivable on bank and other deposits	-	2

11. Finance expense

	2018 €'000	2017 €'000
Arnhem land and buildings lease finance charge	575	173
Foreign exchange (gain)/loss on loan notes	(502)	257
Loan note related finance expenses	1,540	13
Other finance expenses	59	117
	1,672	560

12. Tax expense

	2018 €'000	2017 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
Current tax expense		
UK Corporation tax on profits for the year	-	-
Research and development tax credit in respect of current year	(248)	(274)
	(248)	(274)
Overseas tax at rate of 15%	(9)	12
Overseas tax at rate of 25%	6	928
Deferred Tax		
Utilisation of deferred tax asset	-	-
Total tax charge reported in the statement of comprehensive income	(251)	666

	2018 €'000	2017 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2018: 19%, 2017: 20%) due to:		
Loss before tax	(10,401)	(4,463)
Expected tax credit at 19% (2017 - 20%)	(1,976)	(893)
Expenses not deductible in determining taxable profit	110	176
(Over)/Under provision in respect of prior years	(29)	(114)
Tax losses for which no deferred income tax asset was recognised	1,860	1,593
Effects of overseas taxation	38	40
Other temporary differences	(2)	138
Research and development tax credit in respect of prior years	15	(34)
Research and development tax credit in respect of current year	(263)	(240)
Total tax charge reported in the statement of comprehensive income	(251)	666

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

13. Dividends Paid

	2018 €'000	2017 €'000
Final Dividend €Nil (2017: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

14. Loss per share

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

Basic and diluted earnings per share	2018 Before exceptional items and other adjustments	2018 Total	2017 Before exceptional items and other adjustments	2017 Total
Weighted average number of Ordinary shares in issue ('000)	111,250	111,250	90,442	90,442
Loss for the year (€'000)	(7,536)	(9,185)	(4,950)	(4,986)
Basic and diluted loss per share	€ (0.07)	€ (0.08)	€ (0.05)	€ (0.06)

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

15. Share based payments

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

Options - total

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

Outstanding options granted are as follows:

	Number of outstanding options at 31 March		Weighted average remaining contractual life, in years	
Date of grant	**2018**	**2017**	**2018**	**2017**
20 November 2007	-	48,444	-	0.6
18 June 2008	8,498	8,498	0.3	1.3
8 December 2008	25,211	25,211	0.7	1.7
27 July 2010	-	164,321	2.3	3.3
1 August 2011	115,000	140,000	3.3	4.3
19 September 2013 (LTIP)	2,247,850	2,472,550	5.5	6.5
24 June 2016 (LTIP)	1,015,030	1,070,255	8.3	9.3
20 June 2017 (LTIP)	1,087,842	-	9.3	-
Total	4,499,431	3,929,279	6.9	6.9

Movements in the weighted average values are as follows:

	Weighted average exercise price	**Number**
Outstanding at 31 March 2016	€ 0.51	4,617,415
Granted during the year	€ 0.00	1,070,255
Forfeited during the year	€ 0.04	(1,642,805)
Expired during the year	€ 9.15	(115,586)
Outstanding at 31 March 2017	€ 0.31	3,929,279
Granted during the year	€ 0.00	1,087,842
Forfeited during the year	€ 2.15	(245,044)
Exercised during the year	€ 0.00	(249,700)
Expired during the year	€ 0.00	(22,946)
Outstanding at 31 March 2018	€ 0.15	4,499,431

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €12.90 (2017: €nil and €12.90) and their weighted average contractual life was 6.9 years (2017: 6.9 years).

Of the total number of options outstanding at the end of the year, 126,236 (2017: 183,532) had vested and were exercisable at the end of the year. 106,189 options were exercised in the current year (2017: Nil).

Long Term Incentive Plan ('LTIP')

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

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

2013 LTIP Award performance conditions and 2016 outcome

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

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

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

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

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

Of the 4,103,456 nil cost options awarded in 2013 2,472,550 vested in the previous period as a result of meeting the performance conditions set out above, with the remaining 1,630,906 being forfeited. 2,247,850 remain as at 31 March 2018 after allowing for forfeitures and options exercised in the year.

Awards made in June 2016 and LTIP Award performance conditions

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

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

Element A (Share price element)
In relation to 50% of award, the performance target will be achieved in relation to:

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

Element B (EBITDA element)
In relation to 50% of award, the performance target will be achieved in relation to:

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

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

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

Awards made in June 2017 and LTIP Award performance conditions

During the year, a total of 1,087,842 LTIP awards were made primarily to members of the senior management team including the executive directors:

The performance targets for 937,014 of these awards are as follows:

Metric	**Weighting (% of award)**	**Threshold**	**Target**	**Maximum**
Vesting (% of maximum)		*25%*	*50%*	*100%*
EBITDA per share in FY20	50%	€0.04	€0.06	€0.08
Share Price Growth vs Comparator Group	50%	Median	N/A	Upper Quartile

- Vesting is on a straight-line basis between points in the schedule. There is no vesting for performance below Threshold.
- EBITDA based on total group EBITDA including licensing income. Appropriate adjustments may be made to the EBITDA per share metric ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of award.
- Comparator Group is the constituent companies of the FTSE AIM All Share Index (excluding the Resource and Financial Services Sectors)

Element	**Element A (Total shareholder return)**	**Element B (EBITDA per Share)**
Grant date	20 Jun 17	20 Jun 17
Share price at grant date (€)	0.88	0.88
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	Share Price	EBITDA
Risk free rate	-0.60%	-0.60%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	**€ 0.203**	**€ 0.814**

The remaining 158,828 of the awards made in summer 2017 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation.
The fair value of these options varied between €0.81 and €0.12.

All of the above awards, made in summer 2017 are subject to a three year performance period (i.e. year end March 2020) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions.

2005 and 2008 Share Option schemes

Awards made in earlier years had no impact on the income statement in the current or prior period and given the smaller number of options remaining, no details have been disclosed.

Employee Benefit Trust – Share bonus award

Following a share issue on 20 June 2017 as part of the annual bonus, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2016 to 31 March 2017, 295,873 (2017: 679,435) new Ordinary shares were held by an Employee Benefit Trust, the beneficiaries of which are primarily other senior employees. Such new Ordinary shares vest if the employees remain in employment with the Company at the vesting date, being 1 July 2018 (subject to certain other provisions including regulations, good-leaver, take-over and nomination and remuneration committee discretion provisions). As at 31 March 2018, the Employment Benefit Trust was consolidated by the Company and the 295,873 shares are recorded as Own Shares within equity. During the period, 679,435 Ordinary shares awarded in the prior year vested.

16. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2016	5,527	73,292	4,231	83,050
Additions	415	-	-	415
At 31 March 2017	5,942	73,292	4,231	83,465
Additions	396	-	-	396
At 31 March 2018	6,338	73,292	4,231	83,861
Accumulated amortisation				
At 31 March 2016	607	71,463	-	72,070
Amortisation	556	-	-	556
At 31 March 2017	1,163	71,463	-	72,626
Amortisation	307	275	-	582
At 31 March 2018	1,470	71,738	-	73,208
Net book value				
At 31 March 2018	4,868	1,554	4,231	10,653
At 31 March 2017	4,779	1,829	4,231	10,839
At 31 March 2016	4,920	1,829	4,231	10,980

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation are split between two cash generating units, representing the Accoya® and Tricoya® segments. The recoverable amount of internal development costs, intellectual property rights and goodwill relating to each unit is determined based on a value in use calculation which uses cash flow projections based on board approved financial budgets. Cash flows have been projected for a period of 10 years, including a five year forecast and five years of 2% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 12% per annum (2017: 13%). The key assumption used in the value in use calculations is the level of future licence fees and manufacturing revenues estimated by management over the budget period. These have been based on past experience and expected future revenues. The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. An impairment would arise if the total volume of forecast Accoya® and Tricoya® manufactured is lower than projected sales in future years. Amortisation is included in Other operating costs within the Statement of Comprehensive Income.

17. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2016	5,251	30,725	1,238	37,214
Additions	-	7,102	133	7,235
Disposals	(3,606)	(71)	-	(3,677)
Foreign currency translation (loss)	-	-	8	8
At 31 March 2017	1,645	37,756	1,379	40,780
Additions	10,433	31,104	116	41,653
Disposals	-	-	-	-
Foreign currency translation (loss)	-	-	(19)	(19)
At 31 March 2018	12,078	68,860	1,476	82,414
Accumulated depreciation				
At 31 March 2016	541	15,568	833	16,942
Charge for the year	117	1,869	171	2,157
Disposals	-	(9)	-	(9)
Foreign currency translation (loss)	-	-	9	9
At 31 March 2017	658	17,428	1,013	19,099
Charge for the year	275	2,024	197	2,496
Disposals	-	2	-	3
Foreign currency translation (loss)	-	-	(19)	(19)
At 31 March 2018	933	19,455	1,191	21,579
Net book value				
At 31 March 2018	11,145	49,405	285	60,835
At 31 March 2017	987	20,328	366	21,681
At 31 March 2016	4,710	15,157	405	20,273

Included within property, plant and equipment are assets with an initial cost of €18,962,000 and a net book value at 31 March 2018 of €15,141,000 which has been accounted for as a finance lease. (See note 28). Assets with a net book value of €17.1m are subject to security agreements associated with the Rhodia loan facility. See note 29. In addition, plant and machinery assets with a net book value of €19,326,000 and €14,768,000 are held as assets under construction and are not depreciated, relating to the Hull Plant and the Arnhem plant expansion respectively.

18. Other financial assets

	2018 €'000	2017 €'000
Available for sale investments	-	-

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

However, the carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as there continues to be no active market for these shares as at 31 March 2018, and there is significant uncertainty over the future of Cleantech Building Materials PLC, and as such a reliable fair value cannot be calculated.

The historical cost of the listed shares held at 31 March 2018 is €10m (2017: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2018.

During the year Accsys sold 21,479 shares at €1.50 per share resulting in a gain of €32,000 such that a total of 498,522 shares were held at 31 March 2018.

19. Deferred Taxation

The Group has a deferred tax asset of €nil (2017: €nil) relating to trading losses brought forward.

The Group also has an unrecognised deferred tax asset of €26m (2017: €24m) which is largely in respect of trading losses of the UK subsidiaries. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entities which is dependent on the profits attributable to licensing and future manufacturing income.

20. Subsidiaries

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

21. Inventories

	2018 €'000	2017 €'000
Raw materials and work in progress	10,285	6,447
Finished goods	2,840	5,349
	13,125	11,796

The amount of inventories recognised as an expense during the year was €42,893,599 (2017: €39,030,867). The cost of inventories recognised as an expense includes a net credit of €31,402 (2017: debit of €15,549) in respect of the inventories sold in the period which had previously been written down to net realisable value.

22. Trade and other receivables

	2018 €'000	2017 €'000
Trade receivables	6,659	4,133
Other receivables	136	180
Prepayments	2,519	3,269
Accrued income	21	30
	9,335	7,612

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The majority of trade and other receivables is denominated in Euros, with €714,000 of the trade and other receivables denominated in US Dollars (2017: €637,000).

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

	2018 €'000	2017 €'000
Up to 30 days overdue	350	251
Over 30 days and up to 60 days overdue	-	-
Over 60 days and up to 90 days overdue	-	-
Over 90 days overdue	3	98
	353	349

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Included in the provision for doubtful debts are individually impaired trade receivables and accrued income with a balance of €25,001,000 (2017: €25,001,000) due from Diamond Wood.

Movement in provision for doubtful debts:

	2018 €'000	2017 €'000
Balance at the beginning of the year	25,001	25,002
Net increase/(release) of impairment if not required	1	(1)
Balance at the end of the year	25,002	25,001

Summary of Receivable Impairments:

	2018 €'000	2017 €'000
Trade receivables - Accoya® wood	-	-
	-	-

23. Trade and other payables

	2018 €'000	2017 €'000
Trade payables	9,458	6,618
Other taxes and social security payable	228	201
Accruals and deferred income	8,326	5,705
	18,012	12,524

24. Share capital

	2018 €'000	2017 €'000
Allotted - Equity share capital		
111,513,145 Ordinary shares of €0.05 each (2017: 90,643,585 Ordinary shares of €0.05 each)	5,576	4,531
	5,576	4,531

In year ended 31 March 2017:

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

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

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

In year ended 31 March 2018:

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

97,720 shares were issued on 23 June 2017 to an Employee Benefit Trust ('EBT') at nominal value.

198,154 shares were issued on 27 September 2017 to an Employee Benefit Trust ('EBT') at nominal value.

106,189 shares were issued on 27 September 2017 to an employee following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ("LTIP")

143,511 shares were issued on 26 February 2018 to an ex-employee. 118,511 of these Shares were issued and allotted following the exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan ("LTIP"), with the balance of 25,000 Shares issued as part of the individual's severance terms.

25. Other reserves

	Capital redemp-tion reserve €000	Merger reserve €000	Hedging Effective-ness reserve €000	Other reserve €000	Total Other reserves €000
Balance at 31 March 2017	148	106,707	104	6,501	113,460
Total comprehensive income/(expense) for the period	-	-	202	-	202
Issue of subsidiary shares to non-controlling interests	-	-	-	(4,237)	(4,237)
Balance at 31 March 2018	148	106,707	306	2,264	109,425

The closing balance of the capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares in a previous year.

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

The hedging effectiveness reserve reflects the total accounted for under IFRS 9 in relation to the Tricoya® segment (note 1).

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

26. Transactions with non-controlling interests

In the year ended 31 March 2017:

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

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

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

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

In the year ended 31 March 2018:

On 5 September 2017, TTL issued 284,716 shares to Titan Wood Limited. On 9 February 2018, TTL issued 495,571 shares to Titan Wood Limited. As a result the non-controlling interests shareholdings were amended to:

BP Ventures (8.8%), Medite (11.9%), BGF (2.7%), Volantis (1.5%)

On 20 September 2017, Tricoya Ventures UK Limited ('TVUK') issued Ordinary shares to non-controlling interests for consideration of €11.50 million. In addition on the 6 October 2017, Tricoya Ventures UK Limited ('TVUK') issued Ordinary shares to non-controlling interests for consideration of €2.92 million. As a result the non-controlling interests shareholdings remained unchanged at:

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

The total carrying amount of the non-controlling interests in TTL and TVUK at 31 March 2018 was €30.31 million (2017: €12.62 million).

The Group recognised a decrease in other reserves as summarised below.

	2018 €'000	2017 €'000
Opening Balance	7,077	885
Carrying amount of non-controlling interests issued	(18,658)	(12,702)
Consideration paid by non-controlling interests	14,420	19,123
Share issue costs relating to non-controlling interests	1	(229)
Excess of consideration paid recognised in Group's equity	2,840	7,077

27. Commitments under operating leases

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

	2018 €'000	2017 €'000
Operating lease payments due		
Within one year	1,063	1,391
In the second to fifth years inclusive	2,428	3,194
In greater than five years	5,339	7,332
	8,830	11,918

The majority of commitments under operating leases relate to the Group's offices in the UK and U.S.A., together with land in The Netherlands associated with our warehouse and offices and the land in Hull used for the Tricoya® plant.

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

28. Commitments under finance leases

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

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

In addition, in the prior period agreements were entered into for the sale of the remaining plot of land completed in August 2016. Under the agreement with the purchaser, Bruil, they have constructed and then leased to Accsys new warehouse and office facilities. The construction is now complete and therefore an increase in lease commitments has been recognised in the period. This has been accounted for as a finance lease, with the new asset and liability of €10.4m being recognised as at 31 March 2018 (2017: €nil).

A further lease agreement with Bruil was entered into in the period relating directly to infrastructure work associated with the expansion of the chemical plant. This has been accounted for as a finance lease, with a new asset and liability of €1.9m being recognised as at 31 March 2018 (2017: €1.0m).

These transactions have resulted in a finance lease creditor of €14.2m as at 31 March 2018.

	Minimum lease payments	
	2018 €'000	2017 €'000
Amounts payable under finance leases:		
Within one year	1,390	496
In the second to fifth years inclusive	5,317	1,770
After five years	15,702	3,016
Less: future finance charges	(8,237)	(2,206)
Present value of lease obligations	14,172	3,076

29. Commitments under loan agreements

	2018 €'000	2017 €'000
Amounts payable under loan agreements:		
Within one year	2,062	-
In the second to fifth years inclusive	18,097	5,407
In greater than five years	9,138	14,690
	29,297	20,097

The change in total borrowings in the period of €9.2m consisted of an increase of a €7.5m cash-flow arising from the draw-down of the Rhodia Acetow facility, €2.2m of accrued finance charges, offset by €0.5m foreign exchange gain arising on the Loan Notes.

Loan Notes:

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

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

Rhodia Acetow Facility

On 29 December 2016 the Group drew down €2 million of its €9.5 million term loan facility with Rhodia Acetow GmBH. The Group has since drawn down €5.5m on 03 November 2017 and €2 million on 29 March 2018. The facility is to be used to design, procure and build an extension to the capacity of the Arnhem Plant, with a new reactor for the manufacture of Accoya® at a design capacity of approximately 20,000m^3. This facility secured against existing Arnhem chemical plant and associated assets and is subject to interest at 7.5% per annum. At 31 March 2018, the Group had €9.9m (2017: €2.0m) borrowed under this facility. Interest is rolled up until quarterly repayment of the loan commences on 29 December 2018.

Tricoya® facility:

On 29 March 2017 the Company's subsidiary (Tricoya Ventures UK Limited) entered into a six-year €17.2 million (€15 million net) finance facility agreement with the Royal Bank of Scotland Plc in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya Ventures UK Limited. At 31 March 2017, the Group had €334,000 (2017: €nil) borrowed under the facility. The majority of the facility will be drawn down as required, once the funds provided by shareholders have been fully utilised. Facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

Trade receivable and inventory facilities:

Working capital facility
In May 2018 the Group amended its working capital facility with ABN Commercial Finance, initially agreed in 2011. The facility is now a €6.0m credit facility secured upon the receivables and inventory of the Accoya® manufacturing business committed for a period of 5 years.

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

Both facilities are subject to interest at 2% above the ABN AMRO base rate of 3.4% as at 31 March 2018 (2017: 3.5%). At 31 March 2018, the Group had €nil (2017: €nil) borrowed under both of the facilities.

Reconciliation to net debt/(cash):

	2018 €'000	2017 €'000
Less: Cash and cash equivalents	39,698	41,173
Less:		
Amounts payable under loan agreements	(29,297)	(20,097)
Amounts payable under finance leases (note 28)	(14,172)	(3,076)
Net debt/(cash)	(3,771)	18,000

30. Equity options

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

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

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

The necessary resolutions were passed at the General Meeting held on 21 April 2017 and accordingly the Additional Options have been converted to Options, such that at 31 March 2018 a total 13,104,839 Options exist (with 8,449,172 attributable to BGF and 4,655,667 attributable to Volantis). This represents 11.8% of the enlarged issued share capital of the Company as at 31 March 2018.

31. Financial instruments

Financial instruments

Finance lease

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

Finance lease creditors of: €1,725,000 as at 31 March 2018 (2017: €1,869,000) relates to the sale and leaseback of land and buildings in Arnhem in 2011 and 2012, €10,315,000 as at 31 March 2018 (2017: €nil) relates to the new warehouse and office building in Arnhem completed in the year ended 31 March 2018; and €1,947,000 as at 31 March 2018 (2017: €948,000) relates to the infrastructure work for the chemical plant in Arnhem. All of the above have a 20 year lease period with the ability to extend further. A further €185,000 (2017: €255,000) relates to the fit-out of the London head office.

Capital risk management

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

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

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

No final dividend is proposed in 2018 (2017: €nil). The Board deems it prudent for the Company to protect as strong a statement of financial position as possible during the current phase of the Company's growth strategy.

Categories of financial instruments	**2018 €'000**	**2017 €'000**
Available for Sale investments	-	-
Loans and receivables		
Trade receivables	6,659	4,133
Other receivables	136	180
Money market deposits in Euro	1,325	1,326
Money market deposits in Sterling	17,067	-
Money at call in Euro	7,506	18,134
Money at call in US dollars	165	77
Money at call in Sterling	13,635	21,635
Money at call in New Zealand dollars	-	1
Financial liabilities at amortised cost		
Trade payables	(9,458)	(6,618)
Finance lease payable	(14,172)	(3,076)
Other Payables	-	-
Loan notes and other long term borrowings	(29,297)	(20,097)
	(6,434)	15,695

Money market deposits have interest rates fixed for less than three months at a weighted average rate of 0.36% (2017: 0.14%). Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of AA).

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

Trade payables are payable on various terms, typically not longer than 30 days with the exception of some major capex items.

Market risk

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

Financial risk management objectives

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

Foreign currency risk management

The Group's functional currency is the Euro with the majority of operating costs and balances denominated in Euros. An increasing proportion of costs will be incurred in pounds sterling as the Group's activities associated with the Tricoya® plant in Hull increase, although future revenues will be in Euros or other currencies. The group's Loan Notes, which were issued to fund these UK based operations, are denominated in pounds sterling. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in Euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates. The Group holds a proportion of the cash associated with the Tricoya® Consortium in pounds sterling to reflect the expected costs associated with the construction of the plant in Hull and accordingly is accounted for as a cash-flow hedge (see note 5).

Interest rate risk management

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

Credit risk management

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

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

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

Liquidity risk management

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

Fair value of financial instruments

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

32. Capital Commitments

	2018 €'000	2017 €'000
Contracted but not provided for in respect of property, plant and equipment	34,461	38,424

Included in the above, are amounts relating to the Engineering, Procurement and Construction contracts relating to both the Tricoya® plant and the Arnhem expansion project.

33. Post Balance Sheet Events

On 1 May 2018 Accsys announced that it had agreed to purchase the land and buildings associated with its Accoya® plant and logistics centre in Arnhem from its current landlord, Bruil, having retained a first right to buy back the property from Bruil in the event that a third party offered to purchase it, which has now occurred. The transaction remains conditional upon Accsys finalising finance terms to fund the purchase price of €23 million (plus VAT).

Accsys is currently in discussions in this respect with a third party bank and will provide a further update in due course. Whilst the property has been transferred to Accsys, should satisfactory financing terms not be agreed, the transaction will be unwound, the property transferred back to Bruil and the previous lease arrangements will re-commence, all without liability to Accsys.

The acquisition reflects Accsys' ambition to improve overall financing arrangements. The financing terms, if agreed, are expected to result in a comparable financial commitment to the lease, although the asset and corresponding liability will increase given part of the existing lease arrangement was recognised as an operating lease.

The arrangement is expected to result in lower overall income statement charge over the next 20 years, reflecting the ownership of the freehold. Ownership of the land is also expected to provide greater flexibility in respect of the use of the land as well as any potential value appreciation.

Separately, in May 2018 the Group amended its working capital facility with ABN Commercial Finance, initially agreed in 2011. The facility is now a €6.0m credit facility secured upon the receivables and inventory of the Accoya® manufacturing business committed for a period of 5 years.

For further information, please contact:

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Notes to editors:

Accsys Technologies PLC (www.accsysplc.com) is a chemical technology group whose primary focus is on the production of Accoya® wood and Tricoya® wood elements, technology licensing via its subsidiary, Titan Wood Limited, which has manufacturing operations in Arnhem, the Netherlands (through its subsidiary Titan Wood B.V.), a European office in London, United Kingdom, an American office in Dallas, Texas (via its subsidiary Titan Wood, Inc.) and technology licensing associated with the acetylation of wood elements via its subsidiary Tricoya Technologies Limited. Any references in this announcement to agreements with Accsys shall mean agreements with either Accsys or its subsidiary entities unless otherwise specified. Accsys Technologies PLC is listed on the London Stock Exchange AIM market and on Euronext Amsterdam, under the symbols 'AXS'. Accsys' operations comprise four principal business units: (i) Accoya® wood production; (ii) building and operating of Tricoya® wood chip acetylation plant in Hull; (iii) technology development, focused on a programme of continuous development of and improvements to the process engineering and operating protocols for the acetylation of solid wood and the development of technology for the acetylation of wood elements; and (iv) the licensing of technology for the production of Accoya® wood and Tricoya® wood elements across the globe.

Accoya® Wood (www.accoya.com) is produced using Accsys' proprietary patented acetylation technology that effectively converts sustainably grown softwoods and non-durable hardwoods into what is best described as a "high technology wood". Distinguished by its durability, dimensional stability and, perhaps most importantly of all, its reliability (in terms of consistency of both supply and quality), Accoya® wood is particularly suited to exterior applications where performance and appearance are valued. Moreover, the Accoya® wood production process does not compromise the wood's strength or machinability. The combination of dimensional stability, durability and retained strength means that Accoya® wood offers a wealth of new opportunities to architects, designers and specifiers. These benefits result in lower maintenance and total cost of ownership while using a higher sustainable and environmental responsible building material. For a full archive of Accoya® news, visit www.accoya.com/news.

Tricoya® Wood Elements (www.tricoya.com) are produced using Accsys' proprietary technology for the acetylation of wood chips and particles for use in the fabrication of panel products such as medium density fibreboard and particle-board. These products demonstrate enhanced durability and dimensional stability which allow them to be used in a variety of applications that were once limited to solid wood or man-made products. Exploitation of Accsys' proprietary technology relating to Tricoya® Wood Elements is carried out through Tricoya Technologies Limited. Tricoya® Wood Elements are lauded as the first major innovation in the wood composites industry in more than 30 years.

Wood Acetylation is a process which increases the amount of 'acetyl' molecules in wood, thereby changing its physical properties. When carried out to a sufficient level throughout the wood, this process protects wood from rot by making it "inedible" to most micro-organisms and fungi, without - unlike conventional treatments - making it toxic. It also greatly reduces the wood's tendency to swell and shrink, making it less prone to cracking and ensuring that, when painted, it requires dramatically reduced maintenance.