

Company Accsys Technologies PLC
TIDM AXS
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30 June 2022

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

Preliminary results for the year ended 31 March 2022

Accsys, the fast-growing and eco-friendly company that combines chemistry and technology to create high performance, sustainable wood building products, announces its preliminary results for the year ended 31 March 2022 ("FY 22").

	Year to 31 March 2022		Year to 31 March 2021	
	Underlying	Statutory	Underlying	Statutory
Total Group Revenue	€120.9m	€120.9m	€99.8m	€99.8m
Gross profit	€36.0m	€36.0m	€33.1m	€33.1m
EBITDA¹	€10.4m	€10.5m	€10.1m	€10.4m
EBIT²	€4.2m	€4.3m	€4.4m	€4.6m
Profit before tax	€1.3m	€1.7m	€1.1m	€0.3m
Period end net (debt)³		(€27.2m)		(€12.2m)
Accoya[®] sales volume		59,649m³		60,466m³

Key highlights:

- Good growth in Group revenue, up 21% to €120.9m driven by increased average sales prices.
- Continuing strong market demand, in excess of capacity.
- Accoya[®] sales volumes broadly flat at 59,649m³, with volumes limited by capacity constraints, as well as temporary production downtime at the Arnhem plant connected to the installation of the fourth reactor (R4).
 - The plant's existing three reactors are operating at capacity
- 11% increase in gross profit per cubic meter of Accoya[®] sold to €595/m³, as price increases offset inflationary raw material cost price pressures.
- Gross Profit up 9% to €36.0m, and Group underlying EBITDA¹ up 3% to €10.4m, with the higher gross profit being partially offset by investment in our organisational capability ahead of increased capacity coming on-line.
- Substantial progress on capacity expansion projects under '5X' growth strategy⁵, despite ongoing construction challenges:
 - Accoya[®] Arnhem R4 commissioning has been progressing; during commissioning in June, some defective equipment was identified which requires remedial repair work, extending operational target date by at least 8 weeks into FY23 Q2 (July-September 2022).
 - World-first Tricoya[®] (Hull) plant:

- Construction largely complete, with commissioning progressing. In June, construction challenges and rework of certain areas were identified resulting in a further delay to the target commercial operational date. Whilst uncertainty remains, we are targeting completion in the coming months.
- The consortium's total project capital cost is now expected to be €94-103m, an increase compared to our previously announced range of €90-96m. We are in discussion with our consortium partners regarding the consortium's funding options for the additional costs.
- Accoya® USA JV construction under way following final investment decision and funding package agreed in March 2022 and remains on track to be complete over approximately 2 years.
- Improving financial position: Year-end net debt of €27.2m and adjusted net debt³ of €55m: Group refinance completed in H2 FY22 improving interest costs; Equity issue in Q1 FY23 strengthened the Group's balance sheet.
- ESG: Good progress on safety strategy with LTIR⁴ reducing to target 0.5 level; Scope 1 and 2 emissions intensity⁶ increased 4% primarily due to R4 construction-related electricity usage ahead of increased volumes being produced.

Notes

¹ Underlying EBITDA is defined as Operating profit/(loss) before Exceptional items and other adjustments, depreciation and amortisation, and includes the Group's attributable share of our USA joint venture's underlying EBITDA. (See note 3 to the financial statements).

² Underlying EBIT is defined as Operating profit/(loss) before Exceptional items and other adjustments and includes the Group's attributable share of our USA joint venture's underlying EBIT. (See note 3 to the financial statements).

³ Net debt is defined as short term and long-term borrowings (including lease obligations) less cash and cash equivalents. (See note 29 to the financial statements). Adjusted net debt refers to Net Debt less remaining cash committed to be invested into Accoya USA joint venture (€27.9m).

⁴ Lost Time Incident Rate per 200,000 hours worked.

⁵ Accsys has set a '5x' production capacity growth target, to achieve 200k m³ equivalent production capacity by 2025, from the 2019 level of 40k m³

⁶ Location based scope 1 (direct emissions from company owned or controlled sources) and scope 2 (indirect emissions from the generation of purchased energy, such as electricity) emissions intensity

Robert Harris, CEO commented:

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

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

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

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

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

There will be a presentation relating to these results at 10:00am UK time on 30 June 2022. The presentation will take the form of a webcast and conference call, details of which are below:

Webcast link (for audio and visual presentation):

Click on the link below or copy and paste ALL of the following text into your browser:

<https://edge.media-server.com/mmc/p/mnxq2wkp>

Conference call details (audio only – not recommended for use in conjunction with the webcast link):

Event Passcode: 4039126

United Kingdom - Local: +44 (0) 2071 928338

United Kingdom – National free phone: 0800 279 6619

Netherlands - Local: +31 (0) 207 956 614

Netherlands – National free phone: 0800 023 5015

–USA - Local: +1 6467 413 167

–USA – National free phone: 18 778 709 135

Ends

For further information, please contact:

Accsys, Investor Relations

Sarah Ogilvie

ir@accsysplc.com

Numis Securities (London)

Oliver Hardy (NOMAD), Ben Stoop

+44 (0) 20 7260 1000

Investec Bank plc (London)

Carlton Nelson, Alex Wright

+44 (0) 20 7597 5970

ABN AMRO (Amsterdam)

Richard van Etten, Dennis van Helmond

+31 20 344 2000

FTI Consulting (UK)

Matthew O'Keeffe, Alex Le May, Cally Billimore

+44 (0) 20 3727 1340

Off the Grid (The Netherlands)

Frank Neervoort, Yvonne Derske

+31 681 734 236

Introduction

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

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

In the period we have further progressed our strategic expansion projects under our '5x' growth target of increasing production capacity to 200,000m³ per annum in 2025. In North America we began construction of a new Accoya® production facility in Tennessee under our majority share JV with Eastman Chemical Company and made significant progress in completing the construction of the World's first Tricoya plant in Hull.

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

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

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

During the year Accoya's® high level of performance and sustainability was recognised in various industry awards including the 2022 Alliance for Sustainable Building (ASBP) Awards in London for sustainable low carbon building products, and the US Architectural Product Magazine's award for product innovation. Accoya also won 'Best Natural Building Material' at the 2021 Green Home Awards and 'Best sustainable technology or product' at the 2021 Build It Awards. We have been delighted to see Accoya® installed and specified on some flagship architectural projects from London to Rome to the Red Sea. We are proud of the ever-growing pool of residential, commercial, and civic building and renovation projects around the world that are choosing Accoya® and Tricoya® in substitute for less sustainable and lower performance alternative materials.

Summary of results

The Group has delivered good revenue growth, on a broadly stable sales volume while remaining capacity constrained. Total revenue for the 2022 financial year increased by 21% to €120.9m (FY21: €99.8m). Accoya® sales volume of 59,649m³ represents a 1% reduction compared to the prior year. Revenue growth was driven by an increase in average selling prices for our high-performance wood products, and in our acetic acid by-product, while the volume result primarily reflects that our production is at capacity, and disruption to production at Arnhem in the fourth quarter, as reported in early March 2022 and as further set out below.

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

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

Group underlying EBITDA increased by 3% against the prior year to €10.4m. This reflects our higher revenue being partially offset by higher Group operating costs year-on-year with increased investment in Group organisational capabilities with increased headcount to support our future growth and operate our new capacity.

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

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

Accoya® segment - summary of results	FY22	FY21	Change
Accoya® sales volume – cubic metres	59,649	60,466	(1.4)%
Underlying Accoya® segmental revenue	€119.3m	€97.6m	22.2%
Accoya® wood revenue	€105.1m	€91.1m	15.4%
Licence income	€0.4m	€0.4m	-
Acetic acid sales	€13.6m	€5.8m	134.4%
Manufacturing margin – %	29.8%	33.4%	360 bps
Underlying EBITDA	€21.3m	€21.4m	(0.5)%
Underlying EBIT	€16.5m	€17.1m	(3.5)%

Table note: Please see Note 1 to the Financial Statements for Alternative Measures details

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

Accoya® revenue growth of 22% was similarly driven by increased average sales prices, reflecting the continuing strong demand from customers and increases to offset higher raw material and logistics costs in our supply chain during the period. Price rises were implemented in June 2021 and September 2021. Average prices were also higher than the prior year period due to changes to the product mix, which included a growing proportion of Accoya Color (1,888m³ in FY22 compared to 171m³ in FY21) and a lower proportion of material sold to Tricoya® customers, which represented 22% of total volumes compared to 26% last year.

The Accoya® manufacturing gross margin was 30% (FY21: 33%). Whilst this is c. 3% lower than the prior year, it remains at our target margin level. Overall the higher average selling price in the period more than offset the effect from the higher raw material costs. In addition, gross contribution per cubic metre of Accoya® of €595/m³ is 11% higher than the prior year, while the percentage margin is lower due to a shift in the mix of types of products sold within Accoya® with further detail set out in the Financial Review.

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

Chief Executive's Report continued

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

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

Sales volume by end market	FY22	FY21 Change	
	m3	m3	%
UK & Ireland	14,905	14,937	(0%)
Tricoya®	12,860	15,891	(19%)
Rest of Europe	16,809	18,574	(10%)
Americas	9,575	6,642	44%
Rest-of-World	5,500	4,422	24%
	59,649	60,466	(1%)

Accoya®**Strategic progress**

Across the year we progressed construction to expand our Accoya® production capacity at Arnhem by adding a new 20,000m3 reactor, to increase the site's annual capacity to 80,000 cubic metres.

While approaching the planned project completion at the end of FY22, we faced challenges in the final installation of and temporary production downtime at the Arnhem plant, as reported in early March. Early in the new financial year we experienced further unplanned delays in final installation, tie-ins and delays in the supply of certain equipment as reported in May, which led to a delay in the expected operational start-up of R4 until June. This resulted in an unexpected second shutdown across the plant in April/May 2022. Commissioning of R4 is underway and the plant's existing three reactors are now back up and fully operational. During commissioning and testing in June, defects were identified in certain installed items of equipment which requires remedial work to repair. This remedial work has required the operational target date of June to be extended from Q1 FY23 into Q2 FY23 and we expect the delay impact of this to be at least 8 weeks. At present we estimate the remedial work cost to be around €1m and are looking to establish if the costs are recoverable.

New automated wood handling equipment, which has the ability to handle 100,000m3 per annum including a stacker and scanner, was installed during the year which will support the overall expanded site. This new equipment will provide greater handling efficiency and safety, and the new laser scanner will allow us greater efficiency in our ongoing pre- and post-production quality-control processes.

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

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

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

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

Earlier during the 2022 financial year, we completed a number of JV planning workstreams including detailed front-end engineering design (FEED) of the plant, market assessment study, negotiation of operational support and supply agreements, and the project's financing. The project is being funded through a combination of equity contributions from the JV partners, and project debt finance. Further details of the project's financing arrangements were announced on 4 March 2022 and are included in the Financial Review.

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

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

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

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

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

Tricoya®

Strategic progress

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

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

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

These additional costs have been largely due to the extended project duration, including the previously reported engineering changes, delays due to COVID-19, and from the impact of past management of, and demobilisation from, the site. These costs also reflected a settlement agreement

Chief Executive's Report continued

between TUK and the former lead contractor, where the parties settled and released each other from liability for claims against each other under the EPC contract.

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

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

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

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

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

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

Our planning for the plant continues to allow for the ramp-up of production to full capacity over approximately three years following the commencement of operations. This reflects that this is the first plant of its type and that various modifications and operating improvements may be identified once the plant is initially operational and as the ramp up progresses.

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

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

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

Group Strategic Development

Building organisational capability

In the period we have made good progress in developing our people and organisational capabilities to manage our growth, with Accsys' average headcount increasing from 199 to 244 people. Key hires in

place include new heads of departments who are now developing platforms for supporting our growth as we look to increase our capacity significantly in the next six months whilst helping to ensure that the Group can further expand effectively including into new locations.

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

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

Technology & IP

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

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

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

Our principal trademark portfolio covers our brands Accoya®, Tricoya®, the Trimarque device and Accsys, protected by registrations in over 60 countries, with continued activity that strengthens those brands. Accsys monitors the commercial and IP activity of third parties to ensure its IP rights are not infringed and its commercial activity is protected.

ESG

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

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

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

Safety

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

Chief Executive's Report continued

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

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

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

Energy & Climate change

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

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

In 2022, our location-based scope 1 and scope 2 emissions intensity increased by 4%. This change was driven by a year-on-year increase in electricity usage at Arnhem due to the installation of the new fourth reactor and new wood-handling equipment, but while overall production volumes from the new facilities and equipment have not yet increased. The acquisition of the new site in Barry, UK from Q2 in FY22 also increased emissions intensity, where the wood produced from Barry represents a conversion of Accoya volumes into Accoya Color but does not increase volume sold and therefore represents increased intensity.

Society & Communities

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

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

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

Sustainable & Quality products

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

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

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

Outlook

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

We have made substantial progress in our capacity expansion projects, despite ongoing construction and macro-economic challenges during the year and in the first quarter of FY23. The physical constructions of both the world's first Tricoya plant in Hull and our Accoya plant expansion in Arnhem are largely complete, and whilst some near-term issues have been identified which are being addressed, commissioning of both facilities is in progress with both expected to be operational in the coming months. Our USA JV's new 43,000m³ plant to service the substantial North American market is now also under construction.

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

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

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

Rob Harris

Chief Executive

30 June 2022

Financial Review

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

Introduction

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

Gross profit has increased by 9% driven by increased Accoya® prices which have more than offset input cost price pressures, in particular those relating to our input chemical costs which are linked to natural gas prices. The Accoya® manufacturing gross contribution per cubic metre of Accoya® sold increased by 11% to €595/m³ reflecting the price increases and changes to product mix in the year.

While the existing Accoya® operations continue to generate strong operating cash-flows, our balance sheet continues to be significantly influenced by investment into our key expansion projects with a total equivalent of 103,000m³ of capacity under construction at the end of the reported year. We raised new equity for the Accoya USA plant early in the year, most of which was still held on our balance sheet at the end of the year. In addition, we completed a comprehensive re-financing of our debt arrangements, putting in place a facility with our long-term banking partner ABN AMRO in October. In addition to simplifying our debt arrangements, this has helped significantly reduce our cost of debt going forward.

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

Statement of comprehensive income

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

Accoya® sales volumes were 1% lower than the prior year, where our ability to grow production volumes at Arnhem remains limited by capacity constraints. While the prior year saw a reduction in volumes in the first quarter attributable to COVID-19, sales volumes in FY 22 were impacted by temporary production downtime at the Arnhem plant connected with the installation of the new fourth reactor and isolated maintenance work in the second half of the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash flow

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

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

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

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

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

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

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

Financial position

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

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

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

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

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

Tricoya consortium financing

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

Accoya USA LLC Financing

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

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

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

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

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

Going concern

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

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

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

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

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

William Rudge
Finance Director
30 June 2022

Accsys Technologies PLC

Consolidated statement of comprehensive income for the year ended 31 March 2022

		2022 €'000	2022 €'000	2022 €'000	2021 €'000	2021 €'000	2021 €'000
	Note	Underlying	Exceptional items and other adjustments*	Total	Underlying	Exceptional items and other adjustments*	Total
Accoya® wood revenue		105,053	-	105,053	91,095	-	91,095
Tricoya® panel revenue		1,459	-	1,459	2,091	-	2,091
Licence revenue		416	-	416	419	-	419
Other revenue		13,924	-	13,924	6,198	-	6,198
Total revenue	3	120,852	-	120,852	99,803	-	99,803
Cost of sales		(84,852)	-	(84,852)	(66,714)	-	(66,714)
Gross profit		36,000	-	36,000	33,089	-	33,089
Other operating costs	4	(31,541)	(136)	(31,677)	(28,559)	103	(28,456)
Operating profit	8	4,459	(136)	4,323	4,530	103	4,633
Finance income	10	-	-	-	1	-	1
Finance expense	11	(2,893)	544	(2,349)	(3,250)	(900)	(4,150)
Share of net loss from joint venture accounted for using the equity method	28	(261)	-	(261)	(144)	-	(144)
Profit/(Loss) before taxation		1,305	408	1,713	1,137	(797)	340
Tax (expense)	12	(1,015)	-	(1,015)	(1,251)	-	(1,251)
Profit/(Loss) for the year		290	408	698	(114)	(797)	(911)
<i>Items that may be reclassified to profit or loss</i>							
Gain/(loss) arising on translation of foreign operations		153	-	153	5	-	5
Gain/(loss) arising on foreign currency cash flow hedges		-	66	66	-	192	192
Total other comprehensive income		153	66	219	5	192	197
Total comprehensive gain/(loss) for the year		443	474	917	(109)	(605)	(714)
Total comprehensive gain/(loss) for the year is attributable to:							
Owners of Accsys Technologies PLC		2,083	474	2,557	1,279	(605)	674
Non-controlling interests		(1,640)	-	(1,640)	(1,388)	-	(1,388)
Total comprehensive gain/(loss) for the year		443	474	917	(109)	(605)	(714)
Basic and diluted profit per ordinary share	14	€0.01		€0.01	€0.01		€0.00

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 2022

Registered Company 05534340

	Note	2022 €'000	2021 €'000
Non-current assets			
Intangible assets	16	10,834	10,865
Investment accounted for using the equity method	28	3,216	326
Property, plant and equipment	17	176,661	139,557
Right of use assets	18	4,632	4,859
Financial asset at fair value through profit or loss	19	-	-
		<u>195,343</u>	<u>155,607</u>
Current assets			
Inventories	22	20,371	12,262
Trade and other receivables	23	16,934	12,314
Cash and cash equivalents	29	42,054	47,598
Corporation tax receivable		435	183
Derivative financial instrument		3	134
		<u>79,797</u>	<u>72,491</u>
Current liabilities			
Trade and other payables	24	(29,880)	(29,810)
Obligation under lease liabilities	18	(1,024)	(948)
Short term borrowings	29	(11,654)	(9,664)
Corporation tax payable		(3,184)	(1,863)
		<u>(45,742)</u>	<u>(42,285)</u>
Net current assets		34,055	30,206
Non-current liabilities			
Obligation under lease liabilities	18	(4,193)	(4,584)
Other long term borrowings	29	(52,335)	(44,626)
Financial guarantee	31	-	-
		<u>(56,528)</u>	<u>(49,210)</u>
Net assets		<u>172,870</u>	<u>136,603</u>
Equity			
Share capital	25	9,638	8,466
Share premium account		223,326	189,598
Other reserves	26	114,701	114,635
Accumulated loss		(210,505)	(213,263)
Own shares		(6)	(36)
Foreign currency translation reserve		190	37
Capital value attributable to owners of Accsys Technologies PLC		<u>137,344</u>	<u>99,437</u>
Non-controlling interest in subsidiaries	9	35,526	37,166
Total equity		<u>172,870</u>	<u>136,603</u>

The financial statements were approved by the Board of Directors on 30 June 2022 and signed on its behalf by

Robert Harris

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 2022

	Share capital Ordinary €000	Share premium €000	Other reserves €000	Own Shares €000	Foreign currency translation reserve €000	Accumulated Loss €000	Total equity attributable to equity shareholders of the company €000	Non-Controlling interests €000	Total Equity €000
Balance at 01 April 2020	8,114	186,390	112,551	-	32	(214,394)	92,693	34,442	127,135
Profit/(Loss) for the year	-	-	-	-	-	477	477	(1,388)	(911)
Other comprehensive income for the year	-	-	192	-	5	-	197	-	197
Share based payments	-	-	-	-	-	717	717	-	717
Shares issued	352	-	-	(36)	-	(63)	253	-	253
Premium on shares issued	-	3,215	-	-	-	-	3,215	-	3,215
Share issue costs	-	(7)	-	-	-	-	(7)	-	(7)
Issue of subsidiary shares to non-controlling interests	-	-	1,892	-	-	-	1,892	4,112	6,004
Balance at 31 March 2021	8,466	189,598	114,635	(36)	37	(213,263)	99,437	37,166	136,603
Profit/(Loss) for the year	-	-	-	-	-	2,338	2,338	(1,640)	698
Other comprehensive income for the year	-	-	66	-	153	-	219	-	219
Share based payments	-	-	-	-	-	463	463	-	463
Shares issued	1,172	-	-	30	-	(43)	1,159	-	1,159
Premium on shares issued	-	35,922	-	-	-	-	35,922	-	35,922
Share issue costs	-	(2,194)	-	-	-	-	(2,194)	-	(2,194)
Balance at 31 March 2022	9,638	223,326	114,701	(6)	190	(210,505)	137,344	35,526	172,870

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

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

See note 26 for details concerning Other reserves.

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

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

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

The notes form an integral part of these financial statements.

Accsys Technologies PLC

Consolidated statement of cash flow for the year ended 31 March 2022

	2022 €'000	2021 €'000
Profit before taxation before exceptional items and other adjustments	1,305	1,137
<i>Adjustments for:</i>		
Amortisation of intangible assets	745	803
Depreciation of property, plant and equipment, and right of use assets	5,419	4,934
Net finance expense	2,891	3,352
Equity-settled share-based payment expenses	463	717
Accsys portion of Licence fee received from joint venture	600	600
Share of net loss of joint venture	261	144
Currency translation (gains)/loss	(171)	110
Cash inflows from operating activities before changes in working capital and exceptional items	11,513	11,797
Exceptional Items in operating activities (see note 5)	(133)	-
Cash inflows from operating activities before changes in working capital	11,380	11,797
(Increase) in trade and other receivables	(5,058)	(159)
(Decrease) in deferred income	(33)	(42)
(Increase)/Decrease in inventories	(8,110)	4,670
Increase in trade and other payables	4,034	3,864
Net cash from operating activities before tax	2,213	20,130
Tax received	56	71
Net cash from operating activities	2,269	20,201
Cash flows from investing activities		
Interest received	-	5
Investment in property, plant and equipment	(44,612)	(11,674)
Foreign exchange deal settlement related to hedging of Hull Capex	190	(258)
Investment in intangible assets	(714)	(682)
Investment in joint venture	(3,751)	(1,070)
Net cash (used in) investing activities	(48,887)	(13,679)
Cash flows from financing activities		
Proceeds from loans	54,500	-
Other finance costs	(392)	(80)
Interest Paid	(2,241)	(1,831)
Repayment of lease liabilities	(1,089)	(1,308)
Repayment of loans/rolled up interest	(46,939)	(2,474)
Proceeds from issue of share capital	37,094	3,468
Proceeds from issue of subsidiary shares to non-controlling interests	-	6,004
Share issue costs	(2,194)	(7)
Net cash from financing activities	38,739	3,772
Net (decrease)/increase in cash and cash equivalents	(7,879)	10,294
Effect of exchange rate changes on cash and cash equivalents	2,335	66
Opening cash and cash equivalents	47,598	37,238
Closing cash and cash equivalents	42,054	47,598

The notes 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 years ended 31 March 2022 or 31 March 2021. Statutory accounts for the year ended 31 March 2021 have been filed with the Registrar of Companies and those for the year ended 31 March 2022 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 year ended 31 March 2021 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 year ended 31 March 2022 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 UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. In addition, the financial statements are also prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Dutch Financial Markets Supervision Act.

On 31 December 2020, IFRS as adopted by the European Union at that date, was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

Going Concern

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

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

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

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

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

Exceptional Items

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

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.

Notes to the financial statements for the year ended 31 March 2022 (continued)

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

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

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

Revenue from contracts with customers

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

Manufacturing revenue

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

Licensing fees and Marketing income

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

Finance income

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

Finance expenses and borrowing costs

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

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

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

Share based payments

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

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

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

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

Notes to the financial statements for the year ended 31 March 2022 (continued)

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

Dividends

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

Pensions

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

Taxation

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

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

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

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

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

Foreign currencies

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

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

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

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

Foreign exchange hedging

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

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

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

Notes to the financial statements for the year ended 31 March 2022 (continued)

Government grants

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

Goodwill

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

Joint venture

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

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

Other intangible assets

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

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

Property, plant and equipment

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

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

Impairment of non-financial assets

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

Leases

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

The right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in terms of the lease. Depreciation is charged to the consolidated income statement so as to depreciate the right-of-use asset from the commencement

Notes to the financial statements for the year ended 31 March 2022 (continued)

date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

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

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

The Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Inventories

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

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

Fair value measurement

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

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

Specific valuation methodologies used to value financial instruments include:

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

Financial assets

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

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

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

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits, including liquidity funds, with an original maturity of three months or less. For the purpose of the statement of consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents includes cash pledged to ABN Amro as collateral for the \$20million Letter of credit provided to FHB. See note 29.

Financial liabilities

Other financial liabilities

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

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

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value, which is determined based on the present value of the difference in cash flows between the contractual payments required under the FHB borrowing (provided to the Company's joint venture – Accoya USA) and the payments that are estimated to be required without the guarantee being provided by Accsys to FHB. To calculate the fair value of the guarantee, the present value calculation is then weighted by the probability of the guarantee being called by FHB.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Share capital

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

Segmental Reporting

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

Alternative Performance Measures

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

The most significant APMs are:

Net debt

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

Underlying EBITDA

Operating profit/(loss) before Exceptional items and other adjustments, depreciation and amortisation and includes the Group's attributable share of our USA joint venture's underlying EBITDA. Underlying EBITDA provides a measure of the cash-generating ability of the business that is comparable from year to year.

Underlying EBIT

Operating profit/(loss) before Exceptional items and other adjustments and includes the Group's attributable share of our USA joint venture's underlying EBIT. Underlying EBIT provides a measure of the operating performance that is comparable from year to year.

Effective interest rate

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

Net Debt / Underlying EBITDA

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

Accoya® Manufacturing margin

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

Adjusted cash

Cash & cash equivalents less remaining cash committed to be invested into Accoya USA Joint Venture and restricted cash. See note 29.

Adjusted Net Debt

Net Debt less remaining cash committed to be invested into Accoya USA Joint Venture. See note 29.

2. Accounting judgements and estimates

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

Accounting estimates

Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of judgements in relation to discount rates and future forecasts (See note 16 & 17). The recoverability of these balances is dependent upon the level of future licence fees and manufacturing revenues. While the scope and timing of the production facilities to be built under the Group's existing and future agreements remains uncertain, the Directors remain confident that revenue from own manufacturing, existing licensees, new licence or consortium agreements will be generated, demonstrating the recoverability of these balances.

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

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

Commercial negotiations

The Group is party to a number of commercial negotiations in the ordinary course of business. Management consults with internal and external experts, and utilises its best estimate to account for any relevant financial effect from these negotiations (including the value of amounts to be capitalised and any payables or provisions required to settle such negotiations), when they become apparent.

Accounting judgements

In preparing the Consolidated Financial Statements, management has to make judgments on how to apply the Group's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the Consolidated Financial Statements and the key sources of uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below:

Revenue recognition

The Group has considered the criteria for the recognition of fee income from licensees over the period of the agreement and is satisfied that the recognition of such revenue is appropriate. The recognition of fees is based upon satisfaction of the performance obligations set out in the contract such as an assessment of the work required before the licence is signed and subsequently during the construction and commissioning of the licensees' plant, with an appropriate proportion of the fee recognised upon signing and the balance recognised as the project progresses to completion. The Group also considers the recoverability of amounts before recognising them as income. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

Financial asset at fair value through profit or loss

The Group has an investment in listed equity shares carried at nil fair value as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Group makes appropriate enquiries and considers all of the information available to it in order to determine the fair value (See note 19).

Consolidation of subsidiaries

The Group considers all relevant facts and circumstances when assessing whether it meets the IFRS 10 requirements to consolidate Tricoya Technologies Limited (TTL) and Tricoya UK Limited (Tricoya UK). The Group has consolidated the results of TTL and Tricoya UK as subsidiaries, as it exercises the power to govern the entities in accordance with IFRS 10. See note 9.

Joint venture

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

Notes to the financial statements for the year ended 31 March 2022 (continued)

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

New standards, amendments and interpretations

The following amendments to Standards and a new Interpretation have been adopted for the financial year beginning on 1 April 2021:

- Covid-19-Related Rent concessions – Amendments to IFRS16;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Property, plant and equipment under construction and proceeds from sales – Amendments to IAS16;

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Segmental reporting

The Group's business is the manufacturing of and development, commercialisation and licensing of the associated proprietary technology for the manufacture of Accoya® wood, Tricoya® wood elements and related acetylation technologies. Segmental reporting is divided between corporate activities, activities directly attributable to Accoya®, to Tricoya® or research and development activities.

Accoya®

	Accoya® Segment					
	Year ended 31 March 2022	Year ended 31 March 2022 Exceptional items & Other	Year ended 31 March 2022 TOTAL €'000	Year ended 31 March 2021	Year ended 31 March 2021 Exceptional items & Other	Year ended 31 March 2021 TOTAL €'000
	Underlying €'000	Adjustments €'000		Underlying €'000	Adjustments €'000	
Accoya® wood revenue	105,053	-	105,053	91,095	-	91,095
Licence revenue	400	-	400	400	-	400
Other revenue	13,879	-	13,879	6,142	-	6,142
Total Revenue	119,332	-	119,332	97,637	-	97,637
Cost of sales	(83,435)	-	(83,435)	(64,713)	-	(64,713)
Gross profit	35,897	-	35,897	32,924	-	32,924
Other operating costs	(19,116)	(133)	(19,249)	(15,725)	-	(15,725)
Profit from operations	16,781	(133)	16,648	17,199	-	17,199
Profit from operations	16,781	(133)	16,648	17,199	-	17,199
Accoya® USA EBITDA	(261)	-	-	(144)	-	-
EBIT	16,520	(133)	16,648	17,055	-	17,199
Depreciation and amortisation	4,787	-	4,787	4,371	-	4,371
EBITDA	21,307	(133)	21,435	21,426	-	21,570

Revenue includes the sale of Accoya®, licence income and other revenue, principally relating to the sale of acetic acid and other licensing related income. Revenue also includes sales of lower visual grade Accoya® to Tricoya® customers for the purposes of producing Tricoya® panels as a temporary work-around until the dedicated Tricoya® Hull plant is operational.

All costs of sales are allocated against manufacturing activities in Arnhem and in Barry (Wales) unless they can be directly attributable to a licensee. Other operating costs include all costs associated with the operation of the Arnhem and Barry manufacturing sites, including directly attributable administration, sales and marketing costs.

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

Average headcount = 162 (2021: 140)

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2022 (continued)

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

	2022 €'000	2021 €'000
Accoya® segmental underlying EBITDA	21,307	21,426
Accoya® underlying Licence revenue	(400)	(400)
Accoya® segmental underlying EBITDA (excluding. Licence Income)	20,907	21,026
Accoya® segmental underlying gross profit	35,897	32,924
Accoya® underlying Licence revenue	(400)	(400)
Accoya® manufacturing gross profit	35,497	32,524
Accoya® Manufacturing Margin	29.8%	33.4%
Accoya® Manufacturing gross profit - €'000	35,497	32,524
Accoya® sales volume - m ³	59,649	60,466
Accoya® manufacturing gross profit per m ³	595	538

Tricoya®

	Tricoya® Segment					
	Year ended 31 March 2022	Year ended 31 March 2022 Exceptional items & Other Adjustments €'000	Year ended 31 March 2022 TOTAL €'000	Year ended 31 March 2021	Year ended 31 March 2021 Exceptional items & Other Adjustments €'000	Year ended 31 March 2021 TOTAL €'000
Tricoya® panel revenue	1,459	-	1,459	2,091	-	2,091
Licence revenue	16	-	16	19	-	19
Other revenue	45	-	45	56	-	56
Total Revenue	1,520	-	1,520	2,166	-	2,166
Cost of sales	(1,417)	-	(1,417)	(2,001)	-	(2,001)
Gross profit	103	-	103	165	-	165
Other operating costs	(3,811)	(3)	(3,814)	(3,668)	103	(3,565)
Loss from operations	(3,708)	(3)	(3,711)	(3,503)	103	(3,400)
Loss from operations	(3,708)	(3)	(3,711)	(3,503)	103	(3,400)
Depreciation and amortisation	505	-	505	563	-	563
EBITDA	(3,203)	(3)	(3,206)	(2,940)	103	(2,837)

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

Other operating costs includes pre-operating costs for the Tricoya® Hull Plant.

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

Average headcount = 36 (2021: 22), noting a substantial proportion of the costs to date have been incurred via recharges from other parts of the Group or have resulted from contractors.

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Notes to the financial statements for the year ended 31 March 2022 (continued)

Corporate

	Corporate Segment					
	Year ended 31 March 2022	Year ended 31 March 2022	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2021	Year ended 31 March 2021
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	-	-	-	-	-	-
Licence revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross result	-	-	-	-	-	-
Other operating costs	(7,430)	-	(7,430)	(8,048)	-	(8,048)
Loss from operations	(7,430)	-	(7,430)	(8,048)	-	(8,048)
Loss from operations	(7,430)	-	(7,430)	(8,048)	-	(8,048)
Depreciation and amortisation	805	-	805	715	-	715
EBITDA	(6,625)	-	(6,625)	(7,333)	-	(7,333)

Corporate costs are those costs not directly attributable to Accoya®, Tricoya® or Research and Development activities. This includes management and the Group's corporate and general administration costs including the head office in London. See note 5 for explanation of Exceptional items and other adjustments.

Average headcount = 37 (2021: 29)

Research and Development

	Research & Development Segment					
	Year ended 31 March 2022	Year ended 31 March 2022	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2021	Year ended 31 March 2021
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Accoya® wood revenue	-	-	-	-	-	-
Licence revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross result	-	-	-	-	-	-
Other operating costs	(1,184)	-	(1,184)	(1,118)	-	(1,118)
Loss from operations	(1,184)	-	(1,184)	(1,118)	-	(1,118)
Loss from operations	(1,184)	-	(1,184)	(1,118)	-	(1,118)
Depreciation and amortisation	68	-	68	88	-	88
EBITDA	(1,116)	-	(1,116)	(1,030)	-	(1,030)

Notes to the financial statements for the year ended 31 March 2022 (continued)

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

Average headcount = 9 (2021: 9)

Total

	Total					
	Year ended 31 March 2022	Year ended 31 March 2022 Exceptional items & Other Adjustments €'000	Year ended 31 March 2022 TOTAL €'000	Year ended 31 March 2021	Year ended 31 March 2021 Exceptional items & Other Adjustments €'000	Year ended 31 March 2021 TOTAL €'000
Accoya®/Tricoya® revenue	106,512	-	106,512	93,186	-	93,186
Licence revenue	416	-	416	419	-	419
Other revenue	13,924	-	13,924	6,198	-	6,198
Total Revenue	120,852	-	120,852	99,803	-	99,803
Cost of sales	(84,852)	-	(84,852)	(66,714)	-	(66,714)
Gross profit	36,000	-	36,000	33,089	-	33,089
Other operating costs	(31,541)	(136)	(31,677)	(28,559)	103	(28,456)
Profit from operations	4,459	(136)	4,323	4,530	103	4,633
Finance income	-	-	-	1	-	1
Finance expense	(2,893)	544	(2,349)	(3,250)	(900)	(4,150)
Investment in joint venture	(261)	-	(261)	(144)	-	(144)
Profit/(Loss) before taxation	1,305	408	1,713	1,137	(797)	340

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

Reconciliation of underlying EBIT and EBITDA

	Year ended 31 March 2022	Year ended 31 March 2022 Exceptional items & Other Adjustments €'000	Year ended 31 March 2022 TOTAL €'000	Year ended 31 March 2021	Year ended 31 March 2021 Exceptional items & Other Adjustments €'000	Year ended 31 March 2021 TOTAL €'000
Profit from operations	4,459	(136)	4,323	4,530	103	4,633
Accoya® USA EBITDA	(261)	-	-	(144)	-	-
EBIT	4,198	(136)	4,323	4,386	103	4,633
Depreciation and amortisation	6,164	-	6,164	5,737	-	5,737
EBITDA	10,362	(136)	10,487	10,123	103	10,370

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Notes to the financial statements for the year ended 31 March 2022 (continued)

Analysis of Revenue by geographical area of customers:

	2022 €'000	2021 €'000
UK and Ireland	43,053	41,890
Rest of Europe	45,980	36,888
Americas	21,069	13,170
Rest of World	10,750	7,855
	<u>120,852</u>	<u>99,803</u>

Revenue generated from two customers exceeded 10% of Group revenue of 2022. These two customers represented 37% & 34% of the revenue from the United Kingdom and Ireland, relating to Accoya® revenue. Revenue generated from two customers exceeded 10% of Group revenue of 2021. This included 36% & 40% of the revenue from the United Kingdom and Ireland, relating to Accoya® revenue.

Assets and liabilities on a segmental basis:

	Accoya® 2022 €'000	Tricoya® 2022 €'000	Corporate 2022 €'000	R&D 2022 €'000	TOTAL 2022 €'000	Accoya® 2021 €'000	Tricoya® 2021 €'000	Corporate 2021 €'000	R&D 2021 €'000	TOTAL 2021 €'000
Non-current assets	91,278	99,718	4,119	228	195,343	64,994	85,696	4,620	297	155,607
Current assets	36,899	4,425	33,452	5,021	79,797	34,752	13,134	19,567	5,038	72,491
Current liabilities	(19,399)	(21,112)	(5,156)	(75)	(45,742)	(16,706)	(18,933)	(6,576)	(70)	(42,285)
Net current assets/(liabilities)	17,500	(16,687)	28,296	4,946	34,055	18,046	(5,799)	12,991	4,968	30,206
Non-current liabilities	(2,826)	(1,252)	(52,339)	(111)	(56,528)	(21,798)	(9,990)	(17,262)	(160)	(49,210)
Net assets/(liabilities)	<u>105,952</u>	<u>81,779</u>	<u>(19,924)</u>	<u>5,063</u>	<u>172,870</u>	<u>61,242</u>	<u>69,907</u>	<u>349</u>	<u>5,105</u>	<u>136,603</u>

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

	2022 €'000	2021 €'000
UK	107,861	90,344
Other countries	83,251	61,032
Un-allocated - Goodwill	4,231	4,231
	<u>195,343</u>	<u>155,607</u>

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

Notes to the financial statements for the year ended 31 March 2022 (continued)
4. Other operating costs

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

	2022 €'000	2021 €'000
Sales and marketing	5,121	3,847
Research and development	1,116	1,030
Other operating costs	6,856	6,013
Administration costs	12,284	11,932
Exceptional Items and other adjustments	136	(103)
	<u>25,513</u>	<u>22,719</u>
Other operating costs excluding depreciation and amortisation	25,513	22,719
Depreciation and amortisation	6,164	5,737
	<u>31,677</u>	<u>28,456</u>
Total other operating costs	31,677	28,456

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

The total cost of €25,513,000 in the current period includes €3,309,000 in respect of the Tricoya® segment, compared to €3,002,000 in the previous year.

Group average headcount increased from 199 in the year to 31 March 2021, to 244 in the year to 31 March 2022.

During the period, €714,000 (2021: €682,000) of internal development & patent related costs were capitalised and included in intangible fixed assets, including €488,000 (2021: €524,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition €375,000 of internal costs have been capitalised in relation to our current Arnhem Accoya® plant expansion project (2021: €336,000) and €739,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (2021: €38,000). Both are included within tangible fixed assets.

5. Exceptional items and other adjustments

	2022 €'000	2021 €'000
Redundancy costs in relation to purchase of assets to grow Accoya® Color production	(133)	-
Early termination of loans - redemption fee & accelerated amortisation of transaction costs	(1,619)	-
	<u>(1,752)</u>	<u>-</u>
Total exceptional items	(1,752)	-
Foreign exchange differences arising on Tricoya® & Corporate cash held - Operating costs	(3)	103
Foreign exchange differences arising on Loan Notes - incl. in Finance expense	231	(900)
Foreign exchange differences on Tricoya® - Other comprehensive income/(loss)	8	18
Foreign exchange differences on Corporate USD cash held for investment in to USA JV- incl. in Finance expense	2,080	-
Revaluation of USD cash pledged to ABN Amro - incl. in Finance expense	(148)	-
Revaluation of FX forwards used for cash-flow hedging - Other comprehensive income/(loss)	58	174
	<u>2,226</u>	<u>(605)</u>
Total other adjustments	2,226	(605)
Tax on exceptional items and other adjustments	-	-
	<u>474</u>	<u>(605)</u>
Total exceptional items and other adjustments	474	(605)

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Notes to the financial statements for the year ended 31 March 2022 (continued)

Exceptional Items

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators, to acquire certain assets, equipment and technology along with its manufacturing plant in Barry, Wales for a consideration of €1.2m, including €0.5m for raw wood inventory (see note 34). The purchased assets will enable Accsys to grow production and availability of Accoya® Color more rapidly, accelerating the launch of the product into more geographic markets and for more product applications. As part of this purchase, redundancy costs of €133,000 were incurred in relation to staff at the Barry site.

In October 2021, Accsys completed the refinance of its Group debt facilities, with a new bilateral agreement with ABN Amro. Loans previously held with ABN Amro, Cerdia Produktions GmbH, Bruil, Volantis and Business Growth Fund (BGF) were repaid. In addition to simplifying our debt arrangements, this has helped significantly reduce our cost of debt going forward. Early redemption fees totalling €1.4m were paid, and the amortisation of previously capitalised transaction fees related to these repaid loans was accelerated.

Other Adjustments

Foreign exchange differences in the Tricoya® segment have occurred due to pounds sterling held within the consortium for the ongoing Hull plant build and to a lesser extent, pounds sterling held within the Corporate segment for future sterling corporate costs. The effective portion of the foreign exchange movement is recognised in other comprehensive income, with the ineffective portion recognised in Operating costs. Foreign exchange differences in the Corporate segment have also occurred due to US dollars held for investment into the Accoya USA Joint Venture. Following the May 2021 equity raise, the amount raised to invest into Accoya USA was translated into US dollars and held in cash ensuring that foreign exchange movements did not decrease the amount raised below the future US dollar investment into Accoya USA. This treatment did not meet the requirements for hedge accounting under IFRS 9, Financials instruments, and therefore the foreign exchange gain on the revaluation of the US dollars has been accounted for in Finance expenses.

Foreign exchange differences also arise on the pounds sterling denominated loan notes, entered into in a prior period (see note 29). These exchange rate differences are included as finance expenses.

6. Employees

	2022 €'000	2021 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	17,007	14,394
Social security costs	2,620	2,206
Other pension costs	1,381	1,008
Share based payments	140	869
	<u>21,148</u>	<u>18,477</u>

Pension costs relate to defined contribution plan contributions.

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

	2022	2021
Sales and marketing, administration, research and engineering	134	112
Operating	110	87
	<u>244</u>	<u>199</u>

7. Directors' remuneration

	2022 €'000	2021 €'000
Directors' remuneration consists of:		
Directors' emoluments	931	1,187
Company contributions to money purchase pension schemes	43	41
	<u>974</u>	<u>1,228</u>

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Notes to the financial statements for the year ended 31 March 2022 (continued)

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits €'000	Pension €'000	Share based payments charge €'000	2022 Total €'000	2021 Total €'000
Rob Harris	492	27	49	568	612
William Rudge	301	16	(9)	308	390
	<u>793</u>	<u>43</u>	<u>40</u>	<u>876</u>	<u>1,002</u>

The Group made contributions to one (2021: one) Director's personal pension plan, with Robert Harris receiving cash in lieu of pension.

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

8. Operating profit

	2022 €'000	2021 €'000
This has been arrived at after charging/(crediting):		
Staff costs	21,148	18,477
Depreciation of property, plant and equipment, and right of use assets	5,419	4,934
Amortisation of intangible assets	745	803
Operating lease rentals	103	32
Foreign exchange (gains)/ losses	(171)	110
Research & Development (excluding staff costs)	416	524
Fees payable to the Company's auditors for the audit of the Group's annual financial statements	145	73
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	110	84
- audit related assurance services	36	34
Fees payable to Component auditor for audit of subsidiaries:	117	98
- other audit related services	-	14
Total audit and audit related services:	<u>408</u>	<u>303</u>

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2022 (continued)

9. Tricoya Technologies Limited

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

The Tricoya® Consortium was formed on 29th March 2017, with its members currently comprising Accsys Technologies, INEOS Acetyls Investments Ltd, MEDITE Europe DAC, BGF & Volantis (Lombard Odier) and with project finance debt provided by NatWest.

Tricoya UK Limited is constructing and will own and operate the world's first Tricoya® wood elements acetylation plant in Hull (UK), which will have a targeted production capacity of 30,000 metric tonnes per annum (sufficient to manufacture 40,000 cubic metres of panels) and scope to expand.

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

INEOS (through acquiring BP's share of TTL & Tricoya UK) have invested €31.8 million in the Tricoya® Project, including €23.3 million as equity in Tricoya UK and €8.5 million as equity in TTL. All funding was received by 31 March 2021, with no funding received during the year ended 31 March 2022.

MEDITE have invested €15.0 million in the Tricoya® Project, including €8.4 million as equity in TTL and €6.6 million as equity in Tricoya UK. All funding was received by 31 March 2021, with no funding received during the year ended 31 March 2022.

In the period to 31 March 2022, the Group's shareholding in TTL remained unchanged at 76.5%.

Tricoya UK entered a six-year €17.2 million finance facility agreement with Natwest Bank plc in March 2017 in respect of the construction and operation of the Hull Plant. As at 31 March 2022 the Group has utilised €9.9m (2021: €9.3m) of the facility.

In November 2021, Accsys agreed a new €17m loan to Tricoya UK to be used towards the Hull plant construction project alongside existing funding in place for Tricoya UK. The loan accrues interest, which is rolled up, at a rate between 5.25 and 6.75% above EURIBOR. The loan is secured and is repayable by 30 September 2023. At 31 March 2022, the Group had lent to Tricoya UK €8.8m under the facility. As Accsys consolidates Tricoya UK, this loan is eliminated within the Accsys Group balance sheet.

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

The "TTL Group" income statement and balance sheet, consisting of TTL and its subsidiary Tricoya UK, are set out below:

TTL Group income statement:

	2022 €'000	2021 €'000
Revenue	1,552	2,178
Cost of sales	(1,449)	(1,999)
Gross profit	103	179
Operating costs:		
Staff costs	(2,592)	(2,582)
Research & development (excluding staff costs)	(207)	(217)
Intellectual Property	(214)	(255)
Sales & marketing	(639)	(122)
Depreciation & Amortisation	(505)	(563)
EBIT	(4,054)	(3,560)
EBIT attributable to Accsys shareholders	(2,414)	(2,172)

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Notes to the financial statements for the year ended 31 March 2022 (continued)

TTL Group balance sheet:

	2022 €'000	2021 €'000
Non-current assets		
Intangible assets	4,534	4,376
Property, plant and equipment	94,061	79,999
Right of use assets	1,232	1,321
	<u>99,827</u>	<u>85,696</u>
Current assets		
Receivables due within one year	1,088	1,232
Cash and cash equivalents	912	11,464
FX Derivative Asset	3	134
	<u>2,003</u>	<u>12,830</u>
Current liabilities		
Trade and other payables	(17,646)	(20,159)
Net current liabilities	<u>(15,643)</u>	<u>(7,329)</u>
Non-current liabilities		
Other long term borrowing	(18,585)	(8,955)
	<u>(18,585)</u>	<u>(8,955)</u>
Net assets	<u>65,599</u>	<u>69,412</u>
Value attributable to Accsys Technologies	<u>30,073</u>	<u>32,246</u>
Value attributable to Non-controlling interest	<u>35,526</u>	<u>37,166</u>

TTL Group cash flows:

	2022 €'000	2021 €'000
Cash flows from operating activities	2,618	(841)
Cash flows from investing activities	(21,860)	(6,400)
Cash flows from financing activities	8,691	10,306
Net (decrease)/ increase in cash and cash equivalents	<u>(10,551)</u>	<u>3,065</u>

10. Finance income

	2022 €'000	2021 €'000
Interest receivable on bank and other deposits*	-	1

*€8,000 interest received in the year ended 31 March 2022 (31 March 2021: €5,000) in relation to cash balances held in Tricoya UK Ltd was netted off with borrowing costs incurred, with the net borrowing cost amount related to the Hull project capitalised and included within property, plant and equipment.

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Notes to the financial statements for the year ended 31 March 2022 (continued)

11. Finance expense

	2022 €'000	2021 €'000
Arnhem land and buildings lease finance charge	183	187
Interest on loans	2,282	2,767
Interest on lease liabilities	139	144
Other finance expenses	289	152
Total underlying finance expenses	2,893	3,250
Exceptional items and other adjustments		
Foreign exchange (gain)/loss on loan notes	(231)	900
Revaluation of USD cash pledged to ABN Amro	148	-
Early termination of loans - redemption fee & accelerated amortisation of transaction costs	1,619	-
Foreign exchange (gain)/loss on Corporate USD cash held for investment in to USA JV	(2,080)	-
Total Finance expense	2,349	4,150

12. Tax expense

	2022 €'000	2021 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
Current tax charge		
UK Corporation tax on losses for the year	-	-
Research and development tax (credit)/ expense in respect of current year	(314)	24
	(314)	24
Overseas tax at rate of 15%	24	11
Overseas tax at rate of 25%	1,305	1,216
Deferred Tax		
Utilisation of deferred tax asset	-	-
Total tax charge reported in the statement of comprehensive income	1,015	1,251

	2022 €'000	2021 €'000
(b) The tax charge for the period is higher than the standard rate of corporation tax in the UK (2022 & 2021: 19%) due to:		
Profit/(Loss) before tax	1,713	340
Expected tax charge at 19% (2021 - 19%)	325	65
Expenses not deductible in determining taxable profit	142	153
Over provision in respect of prior years	-	-
Tax losses for which no deferred income tax asset was recognised	541	880
Effects of overseas taxation	320	130
Research and development tax charge in respect of prior years	(190)	79
Research and development tax (credit) in respect of current year	(123)	(56)
Total tax charge reported in the statement of comprehensive income	1,015	1,251

In March 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25% from 1 April 2023. There is no material impact on the Group's current and deferred taxation balances.

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2022 (continued)

Deferred tax	Deferred tax assets		Deferred tax liabilities	
	2022	2021	2022	2021
€ '000				
At 1 April	-	-	-	-
Credited/ (charged) to the consolidated income statement	484	-	(484)	-
At 31 March	484	-	(484)	-

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

13. Dividends Paid

	2022 €'000	2021 €'000
Final Dividend €Nil (2021: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-

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

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

	2022 Underlying	2022 Total	2021 Underlying	2021 Total
<u>Basic earnings per share</u>				
Weighted average number of Ordinary shares in issue ('000)	190,446	190,446	164,890	164,890
Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000)	1,930	2,338	1,274	477
Basic profit/(loss) per share	€ 0.01	€ 0.01	€ 0.01	€ 0.00
<u>Diluted earnings per share</u>				
Weighted average number of Ordinary shares in issue ('000)	190,446	190,446	164,890	164,890
Equity options attributable to BGF	8,449	8,449	8,449	8,449
Weighted average number of Ordinary shares in issue and potential ordinary shares ('000)	198,895	198,895	173,339	173,339
Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000)	1,930	2,338	1,274	477
Diluted profit/(loss) per share	€ 0.01	€ 0.01	€ 0.01	€ 0.00

Notes to the financial statements for the year ended 31 March 2022 (continued)

15. Share based payments

The Group operates a number of share schemes which give rise to a share based payment charge. The Group operates a Long Term Incentive Plan ('LTIP') in order to reward certain members of staff including the Senior Management team and the Executive Directors.

Options - total

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

Outstanding options granted are as follows:

Date of grant	Number of outstanding options at 31 March		Weighted average remaining contractual life, in years	
	2022	2021	2022	2021
1 August 2011	-	90,000	-	0.3
19 September 2013 (LTIP)	599,880	918,226	1.5	2.5
24 June 2016 (LTIP)	183,320	494,433	4.3	5.3
20 June 2017 (LTIP)	326,999	326,999	5.3	6.3
18 June 2018 (LTIP)	185,840	185,840	6.3	7.3
25 June 2019 (LTIP) ¹	475,258	541,049	7.3	8.3
20 November 2019 (LTIP) ¹	105,699	105,699	7.7	8.7
23 December 2019 (LTIP) ¹	41,468	41,468	7.8	8.8
15 July 2020 (LTIP)	1,172,290	1,267,657	8.3	9.3
23 June 2021 (LTIP)	868,889	-	9.3	-
Total	3,959,643	3,971,371	6.8	6.5

1 – 622,425 nil cost options are outstanding in the 2019 LTIP award at 31 March 2022 but no options are estimated to vest on the relevant vesting dates in the 2022 calendar year.

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 01 April 2020	€ 0.01	4,670,808
Granted during the year	€ 0.00	1,326,966
Forfeited during the year	€ 0.00	(766,954)
Exercised during the year	€ 0.00	(1,259,449)
Expired during the year	€ 0.00	-
Outstanding at 31 March 2021	€ 0.01	3,971,371
Granted during the year	€ 0.00	918,659
Forfeited during the year	€ 0.00	(210,928)
Exercised during the year	€ 0.00	(629,459)
Expired during the year	€ 0.50	(90,000)
Outstanding at 31 March 2022	€ 0.00	3,959,643

The exercise price of options outstanding at the end of the year was €nil (for LTIP options) (2021: €nil and €0.50) and their weighted average contractual life was 6.8 years (2021: 6.5 years).

Of the total number of options outstanding at the end of the year 1,296,039 (2021: 1,829,658) had vested and were exercisable at the end of the year.

Notes to the financial statements for the year ended 31 March 2022 (continued)

Long Term Incentive Plan ('LTIP')

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

2013 LTIP Award performance conditions and 2016 outcome

The LTIP in 2013 awarded 4,103,456 nil cost options and 2,472,550 vested in the financial year end 31 March 2017. 599,880 nil cost options remain as at 31 March 2022 after allowing for forfeitures and options exercised in the year.

2016 LTIP Award performance conditions and 2019 outcome

The LTIP in 2016 awarded 1,070,255 nil cost options and 494,433 vested in the financial year end 31 March 2020. 183,320 nil cost options remain as at 31 March 2022 after allowing for forfeitures and options exercised in the year.

2017 LTIP Award performance conditions and 2020 outcome

The LTIP in 2017 awarded 1,087,842 nil cost options and 326,999 vested in the financial year end 31 March 2021. 326,999 nil cost options remain as at 31 March 2022 after allowing for forfeitures and options exercised in the year.

2018 LTIP Award performance conditions and 2021 outcome

The LTIP in 2018 awarded 1,170,160 nil cost options and 185,840 vested in the financial year end 31 March 2022. 185,840 nil cost options remain as at 31 March 2022 after allowing for forfeitures and options exercised in the year.

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

During the year ended 31 March 2020, a total of 810,520 LTIP awards were made primarily to members of the Senior Management team including the Executive Directors:

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

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

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

Element	Element A (EBITDA per share)	Element B (Sales volume growth)
Grant date	25 Jun 19	25 Jun 19
Share price at grant date (€)	1.32	1.32
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	EBITDA	Sales volume growth
Risk free rate	-0.74%	-0.74%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€ 1.221	€ 1.221

On 20th November 2019 and 23rd December 2019, a total of 147,167 LTIP awards (included in the 686,049 LTIP awards above) were made to 2 new employees with the same performance targets as illustrated above. The fair value of these awards were €1.05 per option.

The remaining 124,471 of the awards made in summer 2019 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation. The fair value of these options were €1.221 on their Grant date.

Notes to the financial statements for the year ended 31 March 2022 (continued)

All of the above awards, made in the year ended 31 March 2020 are subject to a three year performance period (i.e. year end March 2022) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions. As at 31 March 2022, no share options are estimated to vest.

Awards made in July 2020 and LTIP Award performance conditions

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

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

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

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

Element	Element A (EBITDA per share)	Element B (Sales volume growth)
Grant date	15 July 20	15 July 20
Share price at grant date (€)	1.00	1.00
Exercise price (€)	0.00	0.00
Expected life (years)	3	3
Contractual life (years)	10	10
Vesting conditions (Details set out above)	EBITDA	Sales volume growth
Risk free rate	-0.69%	-0.69%
Expected volatility	20%	20%
Expected dividend yield	0%	0%
Fair value of option	€ 0.998	€ 0.998

The remaining 71,137 of the awards made in summer 2020 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation. The fair value of these options were €0.998 on their Grant date.

All of the above awards, made in summer 2020 are subject to a three year performance period (i.e. year end March 2023) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions.

Notes to the financial statements for the year ended 31 March 2022 (continued)

Awards made in July 2021 and LTIP Award performance conditions

During the year, a total of 918,659 LTIP awards were made primarily to members of the Senior Management team including the Executive Directors:

The performance targets for 863,624 of these awards are as follows:

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

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

Element	Element A (EBITDA per share)	Element B (Sales volume growth)	Element C (ESG Reporting Metrics)
Grant date	23 Jun 21	23 Jun 21	23 Jun 21
Share price at grant date (€)	2.06	2.06	2.06
Exercise price (€)	0.00	0.00	0.00
Expected life (years)	3	3	3
Contractual life (years)	10	10	10
Vesting conditions (Details set out above)	EBITDA	Sales volume growth	ESG reporting metrics
Risk free rate	-0.67%	-0.67%	-0.67%
Expected volatility	20%	20%	20%
Expected dividend yield	0%	0%	0%
Fair value of option	€ 2.060	€ 2.060	€ 2.060

The remaining 55,035 of the awards made in summer 2021 were specific to individuals dedicated to the Tricoya® consortium with performance measures linked to progress and development of the Tricoya® plant and its subsequent operation. The fair value of these options were €2.06 on their Grant date.

All of the above awards, made in summer 2021 are subject to a three year performance period (i.e. year end March 2024) and a further two year holding period. In addition, awards are also subject to malus/ claw-back provisions.

2008 Share Option schemes

Awards made in earlier years had no impact on the income statement in the current or prior year and with the smaller number of options remaining at the beginning of the current financial year, expiring during the year, no further details have been disclosed.

Employee Benefit Trust – Share bonus award

Following a share issue on 23 June 2020 as part of the annual bonus, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2019 to 31 March 2020, 629,217 Ordinary shares awarded in the prior year vested. No similar award was made during the year ended 31 March 2022.

Employee Share Participation Plan

The Employee Share Participation Plan (the 'Plan') is intended to promote the long term growth and profitability of Accsys by providing employees with an opportunity to acquire an ownership interest in new Ordinary shares ('Shares') in the Company as an additional benefit of employment. Under the terms of the Plan, the Company issues these Shares to a trust for the benefit of the subscribing employees. The Shares are released to employees after one year, together with an additional Share on a 1 for 1 matched basis provided the employee has remained in the employment of Accsys at that point in time (subject to good leaver provisions). The Plan is in line with industry approved employee share plans and is open for subscription by employees once a year following release of the interim financial results. The maximum

Notes to the financial statements for the year ended 31 March 2022 (continued)

amount available for subscription by any employee is €5,000 per annum. In January 2022 various employees subscribed for a total of 193,424 Shares at an acquisition price of €2.02 per Share. Also during the year, 1 for 1 Matching shares were awarded in respect of subscriptions that were made in the previous year as a result of the participants continuing to remain in employment at the point of vesting. 189,931 matching shares were issued to employees in January 2022.

16. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 1 April 2020	7,187	74,051	4,231	85,469
Additions	277	405	-	682
At 31 March 2021	7,464	74,456	4,231	86,151
Additions	178	536	-	714
At 31 March 2022	7,642	74,992	4,231	86,865
Accumulated amortisation				
At 1 April 2020	2,146	72,337	-	74,483
Amortisation	364	439	-	803
At 31 March 2021	2,510	72,776	-	75,286
Amortisation	384	361	-	745
At 31 March 2022	2,894	73,137	-	76,031
Net book value				
At 31 March 2022	4,748	1,855	4,231	10,834
At 31 March 2021	4,954	1,680	4,231	10,865
At 31 March 2020	5,041	1,714	4,231	10,986

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

Notes to the financial statements for the year ended 31 March 2022 (continued)

17. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 1 April 2020	17,976	125,691	3,243	146,910
Additions	-	20,742	651	21,393
Foreign currency translation (loss)	-	-	(9)	(9)
At 31 March 2021	17,976	146,433	3,885	168,294
Additions	-	41,012	461	41,473
Foreign currency translation (loss)	-	-	7	7
At 31 March 2022	17,976	187,445	4,353	209,774
Accumulated depreciation				
At 1 April 2020	637	22,696	1,454	24,787
Charge for the year	358	3,249	351	3,958
Foreign currency translation (loss)	-	-	(8)	(8)
At 31 March 2021	995	25,945	1,797	28,737
Charge for the year	358	3,550	461	4,369
Foreign currency translation (loss)	-	-	7	7
At 31 March 2022	1,353	29,495	2,265	33,113
Net book value				
At 31 March 2022	16,623	157,950	2,088	176,661
At 31 March 2021	16,981	120,488	2,088	139,557
At 1 April 2020	17,339	102,995	1,789	122,123

Plant and machinery assets with a net book value of €93,560,000 are held as assets under construction and are not depreciated, relating to the Hull Plant, and €30,593,000 relating to the further expansion of the Arnhem Plant (31 March 2021: €80,853,000 relating to the Hull Plant, €5,716,000 relating to the Arnhem Plant).

The carrying value of the property, plant and equipment, internal development costs and intellectual property rights are split between two cash generating units (CGUs), representing the Accoya® and Tricoya® segments and the carrying value of Goodwill is allocated to the Accoya® segment. The recoverable amount of these CGUs are determined based on a value-in-use calculations which uses cash flow projections based on latest board approved financial budgets. Cash flows have been projected for a period of 5 years plus a terminal value discounted at a pre-tax discount rate of 10.5% (2021: 10.5%) and a 1.8% growth rate to determine their present value.

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

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

The Directors have determined that there has been no impairment to either CGU. The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. The CGU most susceptible to an impairment given a change in assumptions is the Tricoya® CGU. Key assumptions applied to this CGU were as follows:

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

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

- a 1.3% increase to the discount rate,
- a 1.8% reduction in the long-term sales growth rate and
- a 3% decrease to Gross margin.
- an increase of 84% above assumed remaining costs to complete the plant

Notes to the financial statements for the year ended 31 March 2022 (continued)

18. Leases

(i) Amounts recognised in the statement of financial position

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

	Right-of-use assets	
	2022	2021
	€'000	€'000
Right-of-use assets		
Properties	4,023	4,113
Equipment	569	671
Motor Vehicles	40	75
	4,632	4,859
	Minimum lease payments	
	2022	2021
	€'000	€'000
Amounts payable under lease liabilities:		
Within one year	1,250	1,208
In the second to fifth years inclusive	2,390	2,631
After five years	3,972	4,369
	(2,395)	(2,676)
	5,217	5,532

Additions to the right-of-use assets during the financial year were €801,000 (2021: €1,303,000).

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

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

	2022	2021
	€'000	€'000
Depreciation charge of right-of-use assets		
Properties	807	664
Equipment	209	279
Motor Vehicles	34	33
	1,050	976
Interest expense (included in finance cost)	322	331
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	83	30
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	20	2
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-

The total cash outflow for leases in 2022 was €1,089,000 (2021: €1,308,000)

Notes to the financial statements for the year ended 31 March 2022 (continued)

The Group's leasing activities and how these are accounted for:

The Group leases various offices, land, equipment and cars. Rental contracts are typically made for fixed periods of 1-10 years, although, if appropriate, a longer term may be entered into. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Lease extension options and lease termination options are only included in the calculation of the lease liability if there is reasonable certainty that they will be exercised. Some of the Group's leases have extension and termination options attached to them. Lease extension options and lease termination options are only included in the calculation of the lease liability if there is reasonable certainty that they will be exercised.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar economic environment within similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- The amount of initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low value are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of small items of office furniture and equipment.

19. Financial asset at fair value through profit or loss

	2022 €'000	2021 €'000
Shares held in Cleantech Building Materials PLC	-	-

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

There continues to be no active market for these shares as at 31 March 2022, and there is significant uncertainty over the future of Cleantech Building Materials PLC. As such a reliable fair value cannot be calculated and the investment is carried at a nil fair value (2021: nil).

A total of 498,522 shares were held at 31 March 2022.

20. Deferred taxation

The Group has a recognised deferred tax asset of €484,000 (2021: €nil) offsetting a recognised deferred tax liability of €484,000 (2021: €nil). See note 12.

The Group also has an unrecognised deferred tax asset of €42m (2021: €30m) which is largely in respect of trading losses of the UK subsidiaries and has been calculated using the tax rate which is expected to be applicable when the tax losses are expected to be utilised (see note 12 for the announced increase in UK tax rates to 25% from 1 April 2023). The deferred tax asset has been recognised only to the extent of the deferred tax liability, due to the uncertainty of the timing of future expected profits of the related legal entities which is dependent on the profits attributable to licensing and future manufacturing income.

21. Subsidiaries

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

Notes to the financial statements for the year ended 31 March 2022 (continued)

22. Inventories

	2022 €'000	2021 €'000
Raw materials and work in progress	16,978	7,339
Finished goods	3,393	4,923
	<u>20,371</u>	<u>12,262</u>

The amount of inventories recognised as an expense during the year was €67,697,839 (2021: €60,907,693). The cost of inventories recognised as an expense includes a net credit of €20,212 (2021: credit of €2,739) in respect of the inventories sold in the period which had previously been written down to net realisable value.

23. Trade and other receivables

	2022 €'000	2021 €'000
Trade receivables	13,162	9,836
Other receivables	736	575
VAT receivable	2,203	1,013
Prepayments	833	890
	<u>16,934</u>	<u>12,314</u>

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Trade and other receivables in the above table are stated net of provision for doubtful debts. The majority of trade and other receivables is denominated in Euros, with €3,342,000 of the trade and other receivables denominated in US Dollars (2021: €1,597,000).

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

	2022 €'000	2021 €'000
Up to 30 days overdue	1,248	409
Over 30 days and up to 60 days overdue	-	6
Over 60 days and up to 90 days overdue	-	-
Over 90 days overdue	24	49
	<u>1,272</u>	<u>464</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Included in the provision are trade receivables and accrued income with a balance of €25,002,000 (2021: €25,002,000).

Movement in provision for doubtful debts:

	2022 €'000	2021 €'000
Balance at the beginning of the year	25,002	25,239
Net (decrease)/increase of impairment	-	(237)
	<u>25,002</u>	<u>25,002</u>

Notes to the financial statements for the year ended 31 March 2022 (continued)

24. Trade and other payables

	2022 €'000	2021 €'000
Trade payables	16,655	9,451
Other taxes and social security payable	1,754	1,104
Accruals and deferred income	11,471	19,255
	<u>29,880</u>	<u>29,810</u>

The increase in Trade and other payables primarily relates to the timing of accruals associated with the construction of the Hull plant with actual cash payments being lower, reflecting the timing of milestone payments in relation to construction.

25. Share capital

	2022 €'000	2021 €'000
Allotted - Equity share capital		
192,761,322 Ordinary shares of €0.05 each (2021: 169,324,264 Ordinary shares of €0.05 each)	9,638	8,466
	<u>9,638</u>	<u>8,466</u>

All ordinary shares are called up, allotted and fully paid.

In the year ended 31 March 2021:

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

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

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

In addition, various employees newly subscribed under the Plan for 195,524 Shares at an acquisition price of €1.43 per share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

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

In the year ended 31 March 2022:

In May 2021, 20,005,325 Placing Shares and 2,418,918 Open Offer Shares were issued as part of the capital raise to fund the Company's investment in expanding its Accoya® business into North America through the construction of a new Accoya® plant in the USA through its joint venture, Accoya USA LLC, with Eastman Chemical Company (see note 28), as well as to provide additional capital to support the Company's continued growth. The Shares were issued at a price of €1.65 (£1.40) per ordinary share, raising gross proceeds of €36.7 million (before expenses).

Between June and September 2021, a total of 629,460 shares were issued following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ('LTIP').

In February 2022, following the subscription by employees in the prior year for shares under the Employee Share Participation Plan (the 'Plan'), 189,931 shares were issued as "Matching Shares" at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 193,424 Shares at an acquisition price of €2.015 per share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

Notes to the financial statements for the year ended 31 March 2022 (continued)

26. Other reserves

	Capital redemption reserve €000	Merger reserve €000	Hedging Effectiveness reserve €000	Other reserve €000	Total Other reserves €000
Balance at 01 April 2020	148	106,707	37	5,659	112,551
Total comprehensive income for the period	-	-	192	-	192
Issue of subsidiary shares to non-controlling interests	-	-	-	1,892	1,892
Balance at 31 March 2021	148	106,707	229	7,551	114,635
Total comprehensive income for the period	-	-	66	-	66
Balance at 31 March 2022	148	106,707	295	7,551	114,701

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

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

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

The other reserve represents the amounts received for subsidiary share capital from non-controlling interests net with the carrying amount of non-controlling interests issued (see note 27).

27. Transactions with non-controlling interests

In the year ended 31 March 2021:

On 15 June 2020, TTL issued 281,919 shares to Titan Wood Limited for a consideration of €0.6m. An additional 68,081 shares were issued to non-controlling interests for a consideration of €0.1m. On 2 July 2020, TTL issued 90,956 shares to Titan Wood Limited for a consideration of €0.2m. An additional 416,694 shares were issued to non-controlling interests for a consideration of €0.8m and an additional 495,310 shares were issued in consideration for continued provision of discounted Accoya® to MEDITE for market seeding purposes. On 29 October 2020, TTL issued 1,862,356 shares to Titan Wood Limited for a consideration of €3.7m. An additional 498,987 shares were issued to non-controlling interests for a consideration of €1.0m. On 31 December 2020, BP Ventures' share capital of TTL was acquired by INEOS Acetyls Investments Limited ("INEOS"). As a result the non-controlling interests' shareholdings were amended to:

INEOS (8.5%), MEDITE (11.3%), BGF (2.6%), Volantis (1.1%)

On 17 July 2020, Tricoya UK issued 486,572 Ordinary shares to Tricoya Technologies Ltd for a consideration of €1.0m. An additional 1,600,530 shares were issued to non-controlling interests for consideration of €1.6m. On 29 October 2020, Tricoya UK issued 3,972,686 Ordinary shares to Tricoya Technologies Ltd for a consideration of €4.0m. An additional 2,452,798 shares were issued to non-controlling interests for consideration of €2.5m. On 31 December 2020, BP Chemicals' share capital of Tricoya UK was acquired by INEOS. As a result the non-controlling interests' shareholdings were amended to:

INEOS (30.0%), MEDITE 8.2%)

In the year ended 31 March 2022:

No shares were issued in the year ended 31 March 2022.

The total carrying amount of the non-controlling interests in TTL and Tricoya UK at 31 March 2022 was €35.53m (2021: €37.17m).

In November 2021, Accsys agreed a new €17m loan to Tricoya UK to be used towards the Hull plant construction project alongside existing funding in place for Tricoya UK. The loan accrues interest, which is rolled up, at a rate between 5.25 and 6.75% above EURIBOR. The loan is secured and is repayable by 30 September 2023. At 31 March 2022, the Group had lent to Tricoya UK €8.8m under the facility.

Accsys Technologies PLC

Notes to the financial statements for the year ended 31 March 2022 (continued)

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

	2022 €'000	2021 €'000
Opening Balance	8,127	6,235
Carrying amount of non-controlling interests issued	-	(4,112)
Consideration paid by non-controlling interests	-	6,004
Excess of consideration paid recognised in Group's equity	8,127	8,127

28. Investment in Joint Venture

In August 2020, Accsys together with Eastman Chemical Company formed a new company, Accoya USA LLC, with the intention to construct and operate an Accoya® wood production plant to serve the North American market.

The new company has been formed with Accsys having a 60% equity interest and Eastman having a 40% equity interest, with the two parties assessed to jointly control the entity as defined under IFRS 11 – Joint arrangements. Accoya USA is accounted for as a joint venture and equity accounted for within the financial statements. A technology licence has also been entered into with Accoya USA LLC so that front-end engineering and design for the proposed plant in the USA can be completed.

The plant is designed to initially produce approximately 40,000 cubic metres of Accoya® per annum and to allow for cost-effective expansion.

In March 2022, the final investment decision was made to proceed with the construction of the US facility.

The total construction and start-up costs for the facility, including the initial two reactors, are expected to be approximately \$136 million ('Total project cost').

\$66 million of the Total Project cost will be funded by equity contributions from Accsys (60%) and Eastman (40%). Accsys' pro-rata share is \$39.6 million (€34.9 million) of which \$5.6 million (€4.8 million) has already been contributed to Accoya USA by 31 March 2022. Eastman has contributed \$3.8 million to Accoya USA by 31 March 2022.

\$70 million of the Total Project cost, will be funded through an eight-year term loan to Accoya USA, LLC from First Horizon Bank ('FHB') of Tennessee, USA. FHB are also providing a further \$10 million revolving line of credit to be utilised to fund working capital. The FHB term loan is secured on the assets of Accoya USA and will be supported by Accoya USA's shareholders, including \$50 million through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing \$30 million (see note 31). The interest rate varies between 1.3% to 2.1% over USD LIBOR. Principal repayments commence one year following the completion and start-up of the facility, and are calculated on a ten-year amortisation period.

The carrying amount of the equity-accounted investment is as follows:

	2022 €'000	2021 €'000
Opening balance	326	-
Investment in Accoya® USA	3,751	1,070
Less: Accsys proportion (60%) of Licence fee received	(600)	(600)
Loss for the year	(261)	(144)
Closing balance	3,216	326

Notes to the financial statements for the year ended 31 March 2022 (continued)
29. Commitments under loan agreements

	2022	2021
	€'000	€'000
Amounts payable under loan agreements:		
Within one year	11,654	9,664
In the second to fifth years inclusive	52,335	44,626
In greater than five years	-	-
	<u>63,989</u>	<u>54,290</u>
Present value of loan obligations		
Within one year	12,973	12,012
In the second to fifth years inclusive	59,506	49,714
After five years	-	-
	<u>(8,490)</u>	<u>(7,436)</u>
Present value of loan obligations	<u>63,989</u>	<u>54,290</u>

Refinancing of Group Debt Facilities

In October 2021 Accsys completed the refinance of its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The new €60m 3-year bilateral facilities agreement with ABN AMRO comprised a

- €45m Term Loan Facility and,
- €15m Revolving Credit Facility ('RCF').

The €45m Term Loan was fully utilised to repay all of the Group's existing debt, with the exception of the NatWest facility held by the Tricoya® consortium which remains in place.

- The Term Loan is partially amortising, with 5% of the principal repayable per annum after 18 months.
- The applicable interest rate for the Term Loan varies between an all in cost of 1.75% and 3.25% depending on net leverage, resulting in a significant improvement compared to the previous facilities which had a weighted average cost of approximately 6%.
- The RCF interest rate will similarly vary, but between 2.0% and 3.5% above EURIBOR.

The RCF was subsequently increased to €25 million as part of the Accoya USA financing referred to below, with approximately €20 million utilised for the Letter of credit provided by ABN Amro to FHB in support of the Accoya USA JV funding arrangements, leaving approximately €5 million available as headroom on the facility. The €5m remaining headroom was undrawn at 31 March 2022.

The new facilities are secured against the assets of the Group which are 100% owned by the Company and include customary covenants such as net leverage and interest cover which are based upon the results and assets which are 100% owned by the Company.

Tricoya® facility:

In March 2017 the Company's subsidiary, Tricoya UK Limited entered into a six-year €17.2 million finance facility agreement with Natwest Bank plc in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya UK Limited. At 31 March 2022, the Group had €9.9m (2021: €9.3m) borrowed under the facility. The facility is to be drawn down as required, and facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

The facility will require re-financing with its term running until 31 March 2023.

A €3m increase to the quantum of the facility is being sought given the additional costs identified for the Hull project but has not yet been agreed. As a result, while Natwest remains supportive of the project, the facility is in technical default given the unfunded cost overrun within Tricoya UK.

Accoya USA facility & De Engh facility:

In March 2022 the Company's joint venture, Accoya USA agreed an eight-year \$70 million loan from First Horizon Bank ('FHB') of Tennessee, USA in respect of the construction and operation of the Accoya® USA plant. FHB are also providing a further \$10 million revolving line of credit to be utilised to fund working capital. The FHB term loan is secured on the assets of Accoya USA and is supported by Accoya USA's shareholders, including \$50 million through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing US\$30 million (see note 28 & 31). The interest rate varies between 1.3% to 2.1% over USD LIBOR. Principal repayments commence one year following the completion and start-up of the facility, and are calculated on a ten-year amortisation period. Accoya USA is equity accounted for in these financial statements, therefore this Borrowing is not included in the Group's borrowings. (See note 28)

To support Accsys' limited guarantee, Accsys provided a \$20 million Letter of Credit ('LC') to FHB. The LC is issued by ABN AMRO, utilising part of the revolving credit facility agreed in October 2021. To further support the LC, Accsys agreed a €10 million convertible loan with De Engh BV Limited ('De Engh'), an investment company based in the Netherlands (the 'Convertible Loan'). The Convertible Loan proceeds were limited with ABN AMRO solely as cash collateral to enable ABN AMRO to grant the \$20 million LC to FHB.

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Notes to the financial statements for the year ended 31 March 2022 (continued)

The Convertible Loan is unsecured and carries an interest margin of 6.75% above Euribor. Accsys expects to fully repay the Convertible Loan within two years. If the Convertible Loan is not repaid within this period, De Engh has an option (from the end of year two) to convert the outstanding loan balance to ordinary shares in Accsys at €2.30 per share (representing a 31% premium to the closing share price on 3 March 2022), otherwise the interest rate increases by 2% in year three and by a further 2% the following year if the loan has not been repaid or converted after 3 years. The maximum term of the Convertible Loan is 3.5 years.

Reconciliation to net debt:

	2022 €'000	2021 €'000
Cash and cash equivalents	42,054	47,598
Less:		
Amounts payable under loan agreements	(63,989)	(54,290)
Amounts payable under lease liabilities (note 18)	(5,217)	(5,532)
Net debt	(27,152)	(12,224)

Restricted cash

The cash and cash equivalents disclosed above and in the Consolidated statement of cash flow includes \$10 million which is pledged to ABN Amro as collateral for the \$20million Letter of credit provided to FHB (see note 28 & 31).

Reconciliation to adjusted cash and adjusted net debt:

	2022 €'000	2021 €'000
Cash and cash equivalents	42,054	47,598
Less: Remaining cash committed to be contributed to Accoya USA	(27,857)	-
Less: Cash pledged to ABN for Letter of Credit	(9,852)	-
Adjusted Cash	4,345	47,598
Net Debt	(27,152)	(12,224)
Less: Remaining cash committed to be contributed to Accoya USA	(27,857)	-
Adjusted Net Debt	(55,009)	(12,224)

	Liabilities from financing activities			Other assets	
	Borrowings €'000	Leases €'000	Sub-total €'000	Cash €'000	Total €'000
Net debt as at 01 April 2020	(57,313)	(5,121)	(62,434)	37,238	(25,196)
Cash flows	2,474	1,308	3,782	10,294	14,076
Decrease in Cerdia Loan from Termination fee	3,200	-	3,200	-	3,200
New leases	-	(1,303)	(1,303)	-	(1,303)
Foreign exchange adjustments	(900)	(76)	(976)	66	(910)
Other changes	(1,751)	(340)	(2,091)	-	(2,091)
Net debt as at 31 March 2021	(54,290)	(5,532)	(59,822)	47,598	(12,224)
Cash flows	(7,561)	1,089	(6,472)	(7,879)	(14,351)
New leases	-	(801)	(801)	-	(801)
Foreign exchange adjustments	231	(7)	224	2,335	2,559
Other changes	(2,369)	34	(2,335)	-	(2,335)
Net debt as at 31 March 2022	(63,989)	(5,217)	(69,206)	42,054	(27,152)

30. Equity options

On the 29 March 2017, the Company announced the formation of the Tricoya® Consortium and as part of this, funding was agreed with BGF and Volantis. In addition to the issue of the Loan Notes, which have since been repaid as part of the Group re-finance in October 2021 (see note 29), the Company granted options over Ordinary Shares of the Company to BGF and Volantis exercisable at a price of £0.62 per Ordinary Share at any time until 31 December 2026 (the 'Options').

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

The necessary resolutions were passed at the General Meeting held on 21 April 2017 and accordingly the Additional Options were converted to Options.

On 26 March 2021, the Company announced the Options issued to Volantis had been exercised in full for a total consideration of £2,779,898.77 payable to the Company, representing an exercise price per Ordinary Share of £0.62 as agreed on 29 March 2017 (adjusted to £0.5971 following a subsequent share issuance in April 2017).

At 31 March 2022 a total 8,449,172 Options exist attributable to BGF. This represents 4.4% (2021: 5%) of the issued share capital of the Company as at 31 March 2022.

See notes 29 & 35 for details on the convertible loan agreed with De Engh BV Limited.

31. Guarantee provided to FHB

In March 2022 the Company's joint venture, Accoya USA agreed an eight-year \$70million loan from First Horizon Bank ('FHB') of Tennessee, USA in respect of the construction and operation of the Accoya® USA plant and a further \$10 million revolving line of credit to be utilised to fund working capital (see note 28 & 29). The FHB term loan is supported by Accoya USA's shareholders, including US\$50 million through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing \$30 million (see note 28).

To support Accsys' limited guarantee, Accsys provided a US\$20 million Letter of Credit, issued by ABN Amro, to FHB (see note 29).

The \$30 million limited guarantee provided to FHB is held at a fair value of € nil, representing a present value calculation of €8.8 million weighted by the estimated probability of FHB calling on the guarantee being 0%.

32. Financial instruments

Financial instruments

Lease liabilities

Lease creditors of €5,217,000 as at 31 March 2022 (2021: €5,532,000) relates to various offices, land, equipment and cars that the Group leases (see note 18).

Capital risk management

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

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

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

The Group's strategy is to lower Net Debt / EBITDA ratio to approximately 2.5x over the longer term while remaining within covenant levels set in its ABN Amro and Natwest loan facilities. One of the key covenants under the ABN Amro facility is the Net Debt/EBITDA ratio based upon the results and assets which are 100% owned by the Company, with the covenant test reducing over time from an initial maximum of 4x to 2.5x. On this basis, Net Debt/EBITDA ratio was calculated at 2.93 for the year ending 31 March 2022.

No final dividend is proposed in 2022 (2021: €nil). The Board deems it prudent for the Company to protect as strong a statement of financial position as possible during the current phase of the Company's growth strategy.

Notes to the financial statements for the year ended 31 March 2022 (continued)

Financial Instruments by category

	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
2022/ € '000					
Financial assets					
Trade and other receivables		13,898	-	-	13,898
Financial asset investments	Level 2	-	-	-	-
Derivative financial instruments (FX forward)	Level 2	-	3	-	3
Cash and cash equivalents		42,054	-	-	42,054
Total		55,952	3	-	55,955

	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
2021/ € '000					
Financial assets					
Trade and other receivables		10,411	-	-	10,411
Financial asset investments	Level 2	-	-	-	-
Derivative financial instruments (FX forward)	Level 2	-	134	-	134
Cash and cash equivalents		47,598	-	-	47,598
Total		58,009	134	-	58,143

	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
2022/ € '000					
Financial liabilities					
Borrowings - loans		(63,989)	-	-	(63,989)
Lease liabilities		(5,217)	-	-	(5,217)
Trade and other payables		(16,655)	-	-	(16,655)
Derivative financial instruments (FX forward)	Level 2	-	-	-	-
Total		(85,861)	-	-	(85,861)

	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
2021/ € '000					
Financial liabilities					
Borrowings - loans		(54,290)	-	-	(54,290)
Lease liabilities		(5,532)	-	-	(5,532)
Trade and other payables		(9,451)	-	-	(9,451)
Derivative financial instruments (FX forward)	Level 2	-	-	-	-
Total		(69,273)	-	-	(69,273)

Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of A).

All assets and liabilities mature within one year except for the lease liabilities, for which details are given in note 18 and loans, for which details are given in note 29.

Trade payables are payable on various terms, typically not longer than 30 to 60 days with the exception of some major capex items.

Market risk

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

Financial risk management objectives

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

Foreign currency risk management

The Group's functional currency is the Euro with the majority of operating costs and balances denominated in Euros. An increasing proportion of costs will be incurred in pounds sterling as the Group's activities associated with the Tricoya[®] plant in Hull increase, although future revenues will be in Euros or other currencies. The Group's Loan Notes, which were issued to fund these UK based operations, are denominated in pounds sterling. A smaller proportion of expenditure is incurred in US dollars and pounds sterling. In addition some raw materials, while priced in Euros, are sourced from countries which are not within the Eurozone. The Group monitors any potential underlying exposure to other exchange rates. The Group holds a proportion of the cash associated with the Tricoya[®] Consortium in pounds sterling and has purchased fx forward contracts with a nominal amount of £5.85m (2021: nominal amount of £5.85m) to reflect the expected costs associated with the construction of the plant in Hull and are accordingly accounted for as a cash flow hedge. The Group also holds US Dollar

Notes to the financial statements for the year ended 31 March 2022 (continued)

Cash which is committed to be contributed into Accoya USA. Following the May 2021 equity raise, the amount raised to invest into Accoya USA was translated into US dollars and held in cash ensuring that foreign exchange movements did not decrease the amount raised below the future US dollar investment into Accoya USA. This treatment did not meet the requirements for hedge accounting under IFRS 9, Financials instruments, and therefore the foreign exchange gain on the revaluation of the US dollars has been accounted for in Finance expenses. (see note 5).

If exchange rates changed by 5% from exchange rates at 31 March 2022, the effect on the P&L from the revaluation of:

- Trade Receivables – P&L impact would not be material. The details of the Trade receivables per Currency is disclosed in note 23 with the US Dollar receivables held in Titan Wood Inc, which has a US Dollar reporting currency.
- Trade payables – P&L impact would be approximately €260,000.

Interest rate risk management

The Group's borrowings have variable interest rates based on a relevant benchmark (ie. EURIBOR) plus an agreed margin. Surplus funds are invested in short term interest rate deposits to reduce exposure to changes in interest rates. The Group does not currently enter into any interest rate hedging arrangements, although will review the need to do so in respect of the variable interest rate loan facilities.

Credit risk management

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

The Group ensures that sales are made to customers with an appropriate credit history to reduce the risk where this is considered necessary. The Directors consider the trade receivables at year end to be of good credit quality including those that are past due (see note 23). The Group is not exposed to any significant credit risk exposure in respect of any single counterparty or any group of counterparties with similar characteristics other than the balances which are provided for as described in note 23.

The Group has credit risk from financial institutions. Cash deposits are placed with a group of financial institutions with suitable credit ratings in order to manage credit risk with any one financial institution. All Financial institutions utilised by the Group, and with which the Group holds cash balances have investment grade credit ratings.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. See note 18 & 29.

Fair value of financial instruments

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

33. Capital Commitments

	2022 €'000	2021 €'000
Contracted but not provided for in respect of property, plant and equipment	8,327	10,808

Included in the above, are amounts relating to the Tricoya® plant under construction in Hull and committed items related to the Reactor 4 expansion project in Arnhem.

The above table excludes the remaining cash committed to be contributed to Accoya USA. See note 28 & 29.

34. Purchase of assets to grow Accoya® Color production

In July 2021, Accsys entered into a sale and purchase agreement with Lignia Wood Company Limited and its administrators, to acquire certain assets, equipment and technology along with its manufacturing plant in Barry, Wales. The purchased assets will enable Accsys to grow production and availability of Accoya® Color more rapidly, accelerating the launch of the product into more geographic markets and for more product applications. The following assets were purchased:

	2022
	€'000
Intellectual property	55
Equipment	695
Inventory	486
	<u>1,236</u>

35. Related party transactions**Loan from De Engh BV Limited**

As part of the Accoya USA JV funding arrangements, Accsys provided a \$20 million Letter of Credit ('LC') to FHB. (see note 29 & 31) To support the LC, Accsys agreed a €10 million convertible loan with De Engh BV Limited ('De Engh'), an investment company based in the Netherlands (the 'Convertible Loan') and a Accsys shareholder holding 10.4% of Accsys' issued share capital at 31 March 2022. The Convertible Loan proceeds were placed with ABN AMRO solely as cash collateral to enable ABN AMRO to grant the \$20 million LC to FHB.

The Convertible Loan is unsecured and carries an interest margin of 6.75% above Euribor. Accsys expects to fully repay the Convertible Loan within two years. If the Convertible Loan is not repaid within this period, De Engh has an option (from the end of year two) to convert the outstanding loan balance to ordinary shares in Accsys at €2.30 per share (representing a 31% premium to the closing share price on 3 March 2022), otherwise the interest rate increases by 2% in year three and by a further 2% the following year if the loan has not been repaid or converted after 3 years. The maximum term of the Convertible Loan is 3.5 years

36. Events occurring after 31 March 2022**Capital raise**

In May 2022, Accsys completed a successful Placing for an issue of shares in the Company, raising gross proceeds of approximately €20 million. The net proceeds of the Issue will be used to strengthen the Company's balance sheet, increase liquidity headroom and fund additional costs to complete the Arnhem Plant Reactor 4 ("R4") capacity expansion. The Issue will also provide increased working capital in FY23 to support the wider Accsys organisation in what is a pivotal year, as the equivalent of an additional 60,000m³ of new capacity projects are due to come online, increasing the total capacity at Group level to 120,000m³