

Regulatory Announcement

Company Accsys Technologies PLC
TIDM AXS
Headline Preliminary results
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ACCSYS
TECHNOLOGIES

World leaders in wood technology

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16 June 2015

ACCSYS TECHNOLOGIES PLC ("Accsys" or "the Company")

Preliminary Results for the year ended 31 March 2015

Accsys, the chemical technology group, focused on the acetylation of wood, today announces preliminary results for the twelve months ended 31 March 2015.

	Year to 31 March 2015	Year to 31 March 2014	Change
Total Group Revenue	€46.1m	€33.5m	+38%
Gross profit	€12.2m	€7.8m	+56%
Underlying EBITDA	(€2.4m)	(€5.0m)	Improved 52%
Underlying loss before tax	(€5.0m)	(€7.5m)	Improved 33%
Loss before tax	(€7.7m)	(€8.2m)	Improved 6%
Period end cash balance	€10.8m	€15.2m	

Highlights:

- Accoya[®] wood revenue increased by 39% to €40.7m (2014: €29.3m), driven by a 32% increase in volumes
- Significant gross margin growth, up 400bps to 27%, due to the combined impact of increased Accoya[®] volumes, price increases and operating efficiencies
- Continued momentum towards EBITDA breakeven with EBITDA loss reduced to €0.4m in the second half and underlying EBITDA loss of €2.4m for the year (2014: €5.0m loss)
- Underlying loss before tax, excluding exceptional items, improved by 33% to €5.0m loss (2014: €7.5m loss)
- Significant improvement in Group cash-flow with an underlying cash out-flow of only €1.3m during the period (2014: €4.8m)
- Solvay progressing towards their first Accoya[®] plant in Freiburg, Germany; €2m prepaid in respect of conditional Accoya[®] Marketing Agreement with €0.7m recognised as revenue in the period
- MoU with large international chemical group to build and operate new Tricoya[®] plant
- Evolution of business model continues – Accsys moving beyond licensing model towards royalty and manufacturing based business

Paul Clegg, Chief Executive commented:

"The excellent progress made over the last year has left us in a very strong position to take advantage of the opportunities we now face and the Group is well equipped to build on its achievements to date as we enter the next phase of our development.

"I am encouraged by the progress during the year and the steps we have recently taken in respect of the first Tricoya plant. In addition, we remain committed to making further improvements to both our existing plant, and reviewing our requirements for further increases in manufacturing capacity, as we seek to meet the expected long term demand for our products.

"Our position now is stronger than at any point in our history and we continue to evolve our business model as we build towards becoming cash-flow positive in the year ahead and, longer term, achieving profitability."

Webcast link:

[Click here](#) or copy and paste ALL of the following text into your browser:

<http://edge.media-server.com/m/p/kz3ng8op>

Conference call details for participants:

Participant Telephone Number: +44 (0)20 3427 1916 (UK Toll)

Confirmation Code: 7095197

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

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Accsys Technologies PLC

Chairman's Statement

Introduction

I am pleased to report Accsys has delivered another encouraging year of progress with continued improvements in revenue and profitability whilst making significant steps towards fully leveraging our range of transformational technologies, building on the momentum we have generated to date and equipping the Group for the next phase of growth. We are making excellent headway in realising Accsys's substantial potential over the longer term and I am confident that the group will be cash-flow positive over the year ahead.

Financial Summary

Total revenue for the year ended 31 March 2015 increased by 38% to €46.1m (2014: €33.5m). In the same period, Accoya® wood revenue increased by 39% to €40.7m (2014: €29.3m). Total revenue included €1.1m of income recorded in the second half of the year reflecting continued progress with our Accoya® licensee, Solvay (2014: €1.1m) with €0.7m arising from the Global Marketing agreement signed in the year.

Gross profit margin for the Group improved from 23% to 27%, resulting from increased Accoya® volumes, price increases and operating efficiencies. Other operating costs increased by 12.7% to €16.0m (2014: €14.2m) largely due to an increase in staff costs, including the impact of foreign exchange, and we recorded exceptional costs of €2.9m resulting from the arbitration process with Diamond Wood (2014: €0.7m).

The improved performance resulted in underlying EBITDA loss reducing by 52% to a €2.4m loss (2014: €5.0m loss). The on-going improvement during the year, including the implementation of a price increase, enabled the EBITDA loss to reduce to €0.4m in the second half of the financial year.

The manufacturing facility generated a positive EBITDA of €6.9m, a 188% increase compared to last year (2014: €2.4m), continuing to illustrate the potential returns achievable when manufacturing at higher volume levels.

The cash balance of €10.8m at 31 March 2015 (2014: €15.2m) reflects a significant improvement in our cash-flow. Excluding exceptional costs, the cash out-flow of €1.3m is a 73% improvement compared to the prior year (2014: €4.8m).

Operational progress

Accoya® wood sales volumes increased by 32% to 33,483m³ (2014: 25,391m³), reflecting further improvement in market acceptance and our on-going investment in our brand and marketing activities. The demand has been met by the continued focus on increasing the efficiency and manufacturing capacity of our plant in Arnhem which is now in excess of 40,000m³ per annum.

This increased output has been achieved without undermining the Group's health and safety record and our commitment to operational improvements remains a central focus going forward.

We continue to make progress in our objective of increasing the manufacturing capacity for our products in the longer term. In November 2014, our Accoya licensee Solvay, confirmed it was to proceed to the next stage of preparation of their plant in Freiburg, Germany, and has since completed the site clearance, appointed a EPCM contractor and placed orders for key equipment.

We have received €2m non-refundable resulting from the Accoya Marketing Agreement entered into with Solvay in December 2014 to help fund marketing activities focussing on North America. The continuation of this agreement remains conditional upon on Solvay and Accsys completing full agreements in respect of further global co-operation for which discussions are on-going.

In March 2015, we made an important step towards the construction of the first Tricoya plant. We agreed a Memorandum of Understanding ('MoU') with a large international chemical group (the 'Chemical Group') under which it is envisaged that Accsys will lead the creation of a new consortium, including the Chemical Group, to fund, build and then operate the new plant, with production envisaged to commence in 2017. A detailed site feasibility review is examining whether the plant should be optimally located on one of the Chemical Group's sites and the terms of the MoU include funding, technical and other operational support in respect of the next stage of the project. We are now in detailed discussions with other parties, including the Chemical Group, which are expected to lead to the creation of the new consortium.

In March 2015 we also acquired the remaining 50% share in Tricoya Technologies Limited ('TTL') owned by Ineos, giving us 100% ownership and control until the new consortium structure is established. Sales of Medite Tricoya have continued to grow, with sales having increased by 73% compared to the year before.

We have recorded exceptional costs of €2.9m (2014: €0.7m) relating to the previously reported arbitration ruling concluded in the period in respect of the dispute with Diamond Wood. We have since recommenced our working relationship with Diamond Wood and we continue to believe that the China and South-East Asia region offers substantial opportunities for Accoya in the long term.

Accsys Technologies PLC

Chairman's Statement continued

Board of Directors

We have completed a review of the composition of the Board following the death of Gordon Campbell in April 2014. Gordon had been instrumental in shaping Accsys and it is an honour to succeed him as Chairman. We subsequently increased the strength and diversity of the Board by appointing Sean Christie and Sue Farr in November 2014, bringing with them extensive corporate experience particularly in, respectively, the speciality chemicals and marketing industries.

Outlook

Our recent growth and progress with key third parties leaves us well positioned to take advantage of the substantial opportunity that exists for our products and technologies. I expect demand for Accoya wood to continue to grow, as has been evidenced in the start of the new financial year with positive trading against an improving market backdrop resulting in further sales growth.

We will make further improvements to our plant to help meet this challenge however ultimately the expected longer term demand for Accoya[®] and Tricoya[®] can only be met by new manufacturing facilities and we are exploring all options in this respect. Solvay is making steady progress towards their first plant in Freiburg and I am encouraged by the steps we have taken recently in respect of the first Tricoya[®] plant. We continue to consider additional opportunities and how best to participate in the returns we believe are achievable from manufacturing.

Patrick Shanley
Non-executive Chairman
15 June 2015

Accsys Technologies PLC

Chief Executive's Report

Another record year for Accoya® sales

We had another strong year with Accoya® wood revenue of €40.7m representing a 39% increase (2014: €29.3m). We have focussed on developing our existing customers and geographies and I am pleased with the continued progress in most regions, with the UK increasing by 54%; 56% in Solvay's region and 59% in the Americas. However, trading in the Benelux has remained disappointing with the construction and timber industries significantly impacted by poor economic conditions resulting in a number of bankruptcies which have impacted our customers in the year.

Sales are driven by many different end-use applications, however we believe focussing on the joinery sector, for windows and doors, and decking provides the business with the best prospect of further sales growth whilst simultaneously ensuring Accoya® obtains wider recognition in the market place. We will therefore continue to expand our technical sales efforts in these areas which have proved so successful in the UK over the last two years, to other regions focussing initially on USA and Benelux.

Accoya® sold to Medite for the manufacture of Medite Tricoya® increased by 90% to €5.5m (2014: €2.9m). The margin for this material remains below that achieved for the majority of Accoya® we sell, reflecting our investment in the Tricoya® project and that the current manufacturing process is in place only until the first dedicated Tricoya® plant is operational. We expect volumes sold to Medite to increase in the new financial year, but at a lower rate given potential capacity limitations in Arnhem.

We now have a total of 56 Accoya® distributor, supply and agency agreements in place covering most of Europe, Australia, Canada, Chile, China, India, Israel, Mexico, Morocco, New Zealand, South Africa, parts of South-East Asia and the USA.

We implemented an approximate 5% price increase for our Accoya customers during the third quarter of the financial year which will continue to improve our margins on a comparable basis in the first half of the new financial year. We increased prices as a result of the overall state of the market, to help offset some increase in raw material prices but primarily due to our ambition to achieve overall profitability. We will continue to adjust our prices when the market allows and taking into account our goal for long term sales growth and other changes to our cost base.

Accoya® manufacturing plant increases capacity and profitability

33,483m³ of Accoya® wood was sold in the year, a 32% increase compared to last year and a 149% increase compared to two years ago. The higher volumes resulted in improved economies of scale, which together with the price increases, helped the manufacturing gross margin improve from 20% to 25% and in turn, the manufacturing segment EBITDA to increase by 188% to €6.9m (2014: €2.4m). This improvement is despite a 33% increase in the proportion of the material sold to Medite, which achieved a lower margin.

The 34,156m³ of Accoya produced in the year represents a 42% increase compared to last year and a 282% increase compared to three years ago. The improvement in volume was again achieved by improving our capacity and efficiency and optimising our existing processes and equipment without the need of significant capital investment and only a limited increase in headcount whilst simultaneously maintaining our quality control and health and safety processes. For example, our production cycle time has reduced by approximately 30% over the last year which in turn has contributed to our actual capacity now being in excess of 40,000m³ per annum.

We continue to believe the manufacturing plant provides an illustration of the possible returns which can be achieved when producing Accoya® on a larger scale. We expect the economies of scale resulting from operating near full capacity, or those achievable from production at even greater volumes, to result in a gross manufacturing margin exceeding the 27% which was recorded in the second half of the financial year.

We will continue to implement additional improvements to optimise the process and increase the capacity of the plant. While such increases in the capacity of the existing two acetylation reactors in Arnhem are likely to be incremental we are exploring further options to increase production.

Solvay progressing with plant

Progress has been made with Solvay over the course of the financial year, following the Accoya® wood licence agreement becoming fully effective in December 2013. The licence agreement grants Solvay exclusive rights for a minimum 15 years to produce and to sell Accoya® within the Council of Europe (excluding UK, Ireland and Benelux) from an initial plant.

In November 2014 Solvay confirmed it was progressing to the next stage of the preparation of their Accoya plant and has since completed the clearance of the prospective Freiburg site, engaged a leading Engineering, Procurement and Construction Management contractor for the project and orders have been placed for key equipment.

Accsys Technologies PLC

Chief Executive's Report continued

In December 2014 we entered into a conditional Accoya® Marketing Agreement under which Accsys is carrying out agreed targeted marketing activities outside of Europe. Solvay will fund the agreed activities which are initially focusing on North America and have made a non-refundable pre-payment of €2m with €0.7m of this having been recognised as revenue in the period. In addition Accsys is carrying out certain marketing activities on behalf of Solvay in Europe which includes work with major new manufacturers and retailers.

The continuation of the Accoya® Marketing Agreement outside of the Council of Europe is conditional on Solvay and Accsys completing full agreements in respect of further global co-operation for which discussions are on-going.

During the financial year, Accoya® revenue in respect of the region under Solvay's licence has increased by 56%.

Tricoya project takes a major step forward

In March 2015 we made a number of key changes in respect of Tricoya® Technologies Limited ('TTL') and the Tricoya® project, central to which was the agreement of a Memorandum of Understanding ('MoU') with a large international chemical group (the 'Chemical Group') to replace our joint venture partner, Ineos.

The changes are expected to optimise our participation in the building and operation of the world's first Tricoya® wood elements acetylation plant, including allowing Accsys to derive revenue from both licensing and manufacturing in the future.

We also acquired the 50% share in TTL previously owned by Ineos, giving Accsys 100% ownership and control of TTL until a new ownership structure is established. We are now in detailed discussions with other parties which are expected to lead to the creation of a new consortium, including the Chemical Group, to fund, build and then operate the Tricoya® production plant.

Accsys and the Chemical Group are now jointly undertaking a detailed site feasibility review to examine whether the plant should be optimally located on one of the Chemical Group's existing sites. This feasibility review and related detailed study and engineering work are expected to be completed by the end of 2015 with the plant expected to be operational by the end of 2017. The Chemical Group is contributing both financial and technical support during this period.

Medite, our founding Tricoya® joint development partner, also confirmed its interest in participating in the new consortium and on-going engagement with TTL to realise Tricoya's® full potential. It is anticipated Medite will remain a key partner in respect of the Tricoya® production plant which is expected to replace Medite's own Tricoya® production plant in Ireland under their existing joint development, production and distribution licence agreement with TTL.

Following Accsys acquiring Ineos's share in TTL and Ineos relinquishing its obligations as a TTL shareholder, Ineos is continuing to provide key engineering and technical personnel to TTL on a contractual basis in the near term. As a result of the agreement with Ineos, TTL is fully consolidated by Accsys as at 31 March 2015.

The above changes have been made at the end of a year that has seen sales of Medite Tricoya® increased by approximately 73% compared to the year before. Growth was across Medite's key markets and being used in façade cladding, siding, trim, outdoor furniture and wet interior applications. In addition to the business developing through distributors, growth was also realised with industrial customers, such as producers of exterior doors.

Intellectual Property

Accsys has considerably increased its number of pending patent applications in the recent period by expanding its patent families to 19, including those relating to Tricoya®. Applications filed now number 157, filed in 50 countries. To date 27 patents have been granted in various countries throughout the world.

Our principal trademark portfolio remains unchanged with our brands Accoya®, Tricoya®, the Trimarque device and Accsys®, including transliterations in Arabic, Chinese and Japanese, protected by registration in 56 countries.

The Company's patents and trademarks cover the products we and our distributors and licensees sell, and the processes by which these products are made, throughout the world.

In addition to Accsys's extensive patent and trade-mark portfolio, the Company continues to invest in the generation and protection of valuable know-how and confidential information relating to its products and processes, protected by way of confidentiality protocols and contractual agreements.

Accsys Technologies PLC

Chief Executive's Report continued

Diamond Wood

The arbitration proceedings concerning our dispute with Diamond Wood were concluded in the period resulting in an exceptional cost of €2.9m (2014: €0.7m). We sought to terminate our licence agreement with Diamond Wood in 2013, following legal advice that they were in breach of contract however the tribunal concluded that the licence agreement should continue.

As a result, we have recommenced our working relationship with Diamond Wood and they remain obliged to resume endeavours towards the construction of an Accoya® plant in the Far East, together with the promotion, marketing and selling of Accoya to customers in China and the Far East. We continue to believe that the China and South-East Asia region offers substantial opportunities for Accoya® in the long term.

Outlook

The excellent progress made over the last year has left us in a very strong position to take advantage of the opportunities we now face and the Group is well equipped to build on its achievements to date as we enter the next phase of our development. In the medium term, we face a period which presents new challenges as we seek to ensure that the increasing demand can be met in advance of new manufacturing facilities commencing operation. We will also continue to develop our relationship with the acetyls industry.

We will continue to invest in the longer term as I remain confident that the overall opportunity for our products and technologies remains substantial. We have successfully demonstrated how to commercialise Accoya® and will increasingly focus on how to extract the maximum value from our combined assets including through directly exploiting our IP, maximising our involvement in the manufacturing and through the wider experience and knowledge we have developed and believe is unique in the industry.

The new financial year has started well with further growth in Accoya® sales. We expect to be cash-flow positive over the year ahead as we look towards the next key milestone in our development. I am confident that our overall position is stronger than at any point in our history and I am excited about our long term growth prospects.

Paul Clegg
Chief Executive Officer
15 June 2015

Accsys Technologies PLC

Strategy and Business model

Products

Manufactured through Accsys's highly sustainable proprietary acetylation processes, Accoya® wood and Tricoya® wood elements exhibit superior dimensional stability, durability and other important benefits when compared with alternative natural, treated and modified woods as well as more resource intensive and environmentally impactful man-made materials.

The attributes of Accoya® wood make it a highly effective solution for a wide range of external applications including doors, windows, cladding, decking, shutters, louvres, civil works, landscaping, outdoor furniture and more.

The possibilities for the use of Tricoya® wood elements as the key component with panel products are ever expanding but include facade cladding, fascia and soffit panels and other secondary exterior applications, window components; wet interiors, including wall linings in swimming pools, bathrooms, wet rooms, changing rooms; speciality furniture including lockers, cubicles, chairs and tables, play frames, tree houses and exterior composite furniture; signage; automotive parts and sports equipment.

Market

We believe the potential market for Accoya® and Tricoya® is in excess of 2.5 million m³ annually. To put this into perspective, during the last year we sold 33,483m³, however the total global solid wood market is understood to exceed 400 million m³ annually. While it may take some time for Accoya to reach its full market potential, we are confident that continued strong sales growth can be generated. In respect of Tricoya®, we note the global wood based panel sector is approximately 290 million m³ annually.

Strategy

Our strategy is best explained in the following three phases. Phases one and two have been completed and are included below to provide context and to summarise our history. Our reported performance is therefore concerning Phase three.

Phase 1 (2003 to 2009)

Construction and operation of proof of concept acetylation plant:

- Acquired the pilot production plant assets and all associated IP following years of R&D into acetylation of wood species
- Construction of full scale proof of concept production plant in Arnhem in 2007; a culmination of 16 years R&D
- Completed first commercial production trial runs and carried out stringent product scoping and testing
- Established comprehensive global brand strategy for Accoya® and Tricoya®
- 1st commercial sales of Accoya®

Phase 2 (2008 to 2013)

The transition of Arnhem proof of concept plant to stand-alone commercial manufacturing facility was completed during the global economic recession. During this time Accsys completed two fund raisings and wrote off significant amounts from our balance sheet:

- Formed a stable and experienced management team
- Created and developed worldwide market and brand for Accoya®
 - Created brand and marketing strategy including web and digital mediums
 - Carried out extensive 3rd party testing and validated Accoya® performance benefits
 - Established and expanded global distribution network to increase sales capacity and prove demand
 - Enabled the provision of technical sales, marketing and operational support
- Continuous manufacturing improvement
 - Carried out R&D focusing on quality and efficiencies to reduce cycle time and increase capacity
 - Expanded Arnhem site from an R&D project to a commercially viable facility
 - Streamlined support activities such as procurement, maintenance and logistics
- Financial stability via generation of positive EBITDA at Arnhem manufacturing Company
 - Increased capacity utilisation
 - Improved gross margin through reduction of unit production costs and market sensitive price increases
 - Focused operating cost control and active working capital management
 - Protection of IP - Established world-wide patent portfolio to cover both core acetylation and enabling technologies
- Development of Tricoya® acetylation feedstock principles and market testing of Tricoya®
- Establish value adding relationships with key industry players
 - Formed joint venture with Ineos for the exploitation Tricoya® wood elements acetylation technology and processes
 - Key commercial and technical relationships developed with wood suppliers, coatings manufacturers and research institutes on a global basis
 - Strategic relationships with companies such as BP

Phase 3 (2013 onwards)

Ambition	Progress
<p>Manufacturing</p> <ul style="list-style-type: none"> • Increased production of Accoya® at Arnhem plant to supply our clients, develop new markets and drive demand for Accoya® as well as for use as a feedstock in the production of Tricoya® • Continued focus on reducing cycle time to increase Arnhem capacity and profitability 	<ul style="list-style-type: none"> • Production increased by 42% to 34,156m³ • Cycle time reductions (approximately 30%) and other improvements have increased Arnhem capacity from 35,000m³ to in excess of 40,000m³
<p>Meeting global demand</p> <ul style="list-style-type: none"> • Ongoing licensing of Accoya® acetylation technology to achieve multiple licence agreements, including Solvay, to satisfy global demand for solid wood • Development of extended global distributor network • Establishing and further development of detailed engineering documents, engagement of third party engineering experts • Development of model to benefit from our expertise by assisting 3rd parties in areas including sales, marketing, product and technical development, operations and maintenance • Continued close co-operation between Accsys and third parties to further develop and facilitate the licensing of Tricoya® 	<ul style="list-style-type: none"> • Solvay progressing with development of Accoya plant in Freiburg, Germany • 56 distribution agreements in place around the globe • Engineering work underway in respect of first Tricoya plant (Solvay also progressing with detailed engineering in respect of their plant, following provision of process design package last year). • Binding term sheet agreed with Solvay includes option for Accsys to acquire substantial minority interest in Solvay's Accoya operations. • Accsys in discussions to create and lead a new consortium to fund, build and operate the first Tricoya plant, having signed an MoU with a large international chemical group.
<p>Research and Development</p> <ul style="list-style-type: none"> • Continued R&D and product development activities to generate future value via development of additional and enhanced applications • Further development of new species to aid licencing discussions and maximise value through reduced costs as well as generate new applications and increased revenue • Strengthened protection of intellectual property 	<ul style="list-style-type: none"> • Pre-commercial sales of over 150m³ of species with potential to supplement existing radiata pine offer, and presenting long term purchasing range and further increased market options • 157 patent applications filed in 41 countries; 27 patents granted
<p>Brand</p> <ul style="list-style-type: none"> • Continued development, advancement and protection of globally established Accoya® and Tricoya® brands 	<ul style="list-style-type: none"> • Commenced focussed marketing campaign in North America targeting key audiences such as Architects, Joinery Manufacturers and supporting distributors

Accsys Technologies PLC

Strategy and Business model continued

Business model

In order to achieve our strategy, the Group has established a business model which seeks to derive benefit from and further develop our core assets while ensuring that Health and Safety is made our first priority. Our segmental reporting on page 30 sets out how our different business areas have performed financially, however in practice the Group's strategy is more closely interdependent and based upon the following:

Intellectual property and innovation

The Group's acetylation technologies have been developed over many years and have enabled us to develop the unique Accoya® and Tricoya® products. Our IP exists on a number of different levels and is exploited in different ways.

Accsys has developed a number of families of registered and pending patents relating to our products and processes which provide robust protection and enable us to market our unique products and processes to third parties. Equally important is the extensive know-how and trade secrets which the Group has developed covering our process, raw materials, equipment and products which together provide commercial protection, the ability to generate value from third parties and a basis for on-going innovation.

Our commitment to R&D and innovation is based on the belief that wood acetylation is applicable to multiple wood products and species and that we have established a platform technology that can be developed to generate additional products and uses. For example, we believe different species of wood will enable Accoya® to be used for even more purposes while opening up greater supply chain opportunities; we also believe that our Tricoya® process, which is initially expected to be used by manufacturers of MDF boards, has the potential to be used for particle board manufacture.

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

Business partners

We have established relationships with third parties that have contributed to our success so far and which we believe will help us in meeting our long term strategic targets.

As set out above, the potential market for our products is considerable. We believe that being able to fulfil this demand ourselves by building and operating manufacturing facilities offers the greatest long term rewards. However, we have and will continue to work with appropriate third parties in order to help us achieve our long term objectives and in particular where such parties have resources or technologies which are not available to Accsys.

Our ambition to retain a direct interest in manufacturing is characterised by our relationship with Solvay and in respect of Tricoya®, where our recent MoU with the Chemical Group envisages a consortium to build the first Tricoya® plant in which Accsys would take the lead.

While the development of third party relationships is important at every level of the business, particular importance is placed upon those which help develop our technology, products and their place in the market including equipment manufacturers, wood suppliers, the acetyls industry, testing and certification bodies as well as wood coating, adhesives and other system supply specialists. Our product development team seeks to co-develop new applications directly with other companies.

Our people

Our focus on R&D, innovation and fulfilling the full potential of our products and technologies is dependent on our employees. As noted above, a significant amount of value is generated from know-how; from working with wood products, understanding our brand on a global basis to optimising the acetylation process. Therefore, despite being a relatively young company, we have focussed on developing, motivating and retaining a committed team with the necessary skills and experience to help the Group meet its objectives and to continue to add to Accsys's overall ability to generate value.

All staff are given the opportunity to become shareholders in Accsys via the Employee Share Participation plan (see page 40), with approximately 50% having taken up this offer since its introduction.

Manufacturing

Accsys's manufacturing site in Arnhem brings together all of the above. The plant was built as a proof of concept facility and since then has been improved and its capacity increased in order to demonstrate that our acetylation process works on an industrial scale and to confirm the commercial viability of Accoya® and Tricoya®.

The plant has significant value to Accsys on many levels: In addition to now generating a substantial profit; it is a centre for carrying out commercial level R&D, a tool for evaluating further improvements to our processes and a home to the majority of our workforce. We will continue to develop and optimise the plant to generate greater financial returns, further add to our IP and therefore our ability to generate value in the future. Consistent with our belief that manufacturing our products offers the greatest potential returns, we have retained space at Arnhem to allow for additional manufacturing capacity.

Environment

Our products offer a significant benefit in reducing the negative impacts on our environment. They are the most environmentally friendly building solutions over their full life cycle, made from abundantly available, fast growing, sustainably sourced, renewable resources, yet with durability and dimensional stability exceeding the best performing tropical hardwoods. They are natural building materials with low maintenance and consistent qualities of the highest performing non-sustainable man-made materials; while benefitting from all positive attributes of wood (sustainability, strength, beauty) without the downfalls (poor durability & stability).

Accoya[®]'s carbon footprint significantly outperforms most other commonly used building materials such as concrete, PVC, MDF and plywood as well as a range of tropical hardwoods such as azobe and red meranti. Through the photosynthesis process trees absorb CO₂ and as a result 1m³ of wood may store over 1 ton of CO₂ for its lifetime. Our process takes fast growing, sustainably sourced wood and converts into a long last construction material, which can be incinerated for energy production at the end of its life. This has enabled us to demonstrate that Accoya[®] can be carbon negative over its extended life cycle.

Further details are included in the Sustainability report and our annual GHG emissions are detailed in the Director's report.

Principal risks and uncertainties

The principal risks and uncertainties are set out in the Directors' Report.

Accsys Technologies PLC

Financial Review

Income statement

Revenue

Total revenue for the year ended 31 March 2015 increased by 38% to €46.1m (2014: €33.5m). In the same period, Accoya® revenue increased by 33%, excluding sales to Medite for the manufacture of Tricoya®, to €35.2m (2014: €26.4m). We sold €5.5m of Accoya® to Medite for the manufacture of Tricoya®, a 90% increase (2014: €2.9m). Total revenue included €1.1m of income recorded in the second half of the year reflecting continued progress with our Accoya® licensee, Solvay (2014: €1.1m). €0.7m of this arose from the Global Marketing agreement signed in the year and was recorded within Other revenue. Other revenue which also includes the sale of acetic acid increased by 38% to €4.2m (2014: €3.1m).

Gross margin

Gross profit margin improved from 23% to 27%, resulting from increased Accoya® sales, price increases and improved operating efficiencies. The gross manufacturing margin increased from 20% to 25%.

Other operating costs

Other operating costs increased by 12.6% to €16.0m (2014: €14.2m). This increase was attributable to higher administration and other operating costs which in turn were largely due to increased payroll costs. Headcount increased to an average of 111 (2014: 101), with staff costs increasing by 12.5% to €10.1m. This included a share based payment charge of €1.4m (2014: €1.2m). €0.3m of the increase in staff costs is attributable to foreign exchange. Other operating costs also included €3.2m of sales and marketing (2014: €2.9m), reflecting an on-going investment in expected long term growth in sales of Accoya.

An exceptional item of €2.9m was also recorded in respect of the arbitration with Diamond Wood which concluded in the period (2014: €0.7m). (See note 4)

Loss from operations

The loss from operations decreased by 7% to €6.7m (2014: loss of €7.2m) due to the improvement in gross margin described above, offset by the increase in operating costs and exceptional costs explained above. Excluding exceptional costs, the loss from operations decreased by 42% to €3.8m (2014: €6.5m)

Share of joint venture loss and gain on acquisition of subsidiary

On 5 October 2012, Accsys entered into a 50:50 joint venture with Ineos to exploit Accsys' intellectual property surrounding its proprietary Tricoya® wood elements acetylation technology and processes, with the intention of accelerating the global deployment of Tricoya®. The company, Tricoya Technologies Limited ('TTL'), has been developing and exploiting Accsys' Tricoya® technology for use within MDF, particle board and wood plastic composites in a worldwide panel products market estimated to be worth more than €60 billion annually.

During the period TTL has been accounted for in the Accsys Group accounts using the equity method. TTL recorded revenue of €0.5m (2014: €0.2m) and total costs of €2.7m (2014: €2.0m) resulting in Accsys' share of loss of €1.1m (2014: €0.9m).

On 31 March 2015, Accsys acquired the remaining 50% equity interest in TTL held by Ineos and as a result owned 100% at the end of the period. The acquisition was accounted for as an acquisition of a subsidiary and the assets and liabilities recorded at fair value. A gain of €0.3m was recorded as a result of the difference between the consideration paid, the investment in joint venture immediately prior to the acquisition and the fair value of the net assets acquired. (See note 8 for further details.)

Finance income

Finance income of €0.1m (2014: €0.2m) represents interest receivable on bank deposits.

Finance expense

The finance expense of €0.2m (2014: €0.2m) is primarily due to interest element arising on the payments attributable to the sale and leaseback of part of the Group's land and buildings in Arnhem together with interest payable upon the group's finance facilities.

Research & Development Spend

€1.4m was incurred on research & development in the period (2014: €1.6m). €0.2m (2014: €0.5m) has been capitalised as an intangible asset (see note 1).

Taxation

The net tax charge of €0.6m (2014: €0.7m) primarily represents a tax charge arising from manufacturing offset by research and development tax credits of €0.2m (2014: €0.2m) attributable to activities carried out in the current year.

Accsys Technologies PLC

Financial Review continued

Dividends

No final dividend is proposed in 2015 (2014 final dividend: €Nil). The Board deems it prudent for the Company to maintain as strong a balance sheet as possible during the current phase of the Company's growth strategy.

Earnings per share

Basic and diluted loss per share was €0.09 (2014 basic and diluted loss per share was €0.10, restated to account for 1 for 5 share consolidation in the period).

Balance sheet

Intangible assets

Intangible asset additions of €0.2m (2014: €0.5m) predominantly relate to capitalised internal development costs. Acquisitions of €1.9m relates to TTL's net capitalised development costs incurred since TTL's incorporation in October 2012, including €0.6m of additions in the period relating to the Tricoya process (2014: €1.4m).

Property, plant and equipment

Property, plant and equipment additions of €0.9m (2014: €0.6m) predominantly relate to technology improvements and items of maintenance equipment at our Arnhem production facility.

Available for sale investments

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China Limited. The historical cost of the unlisted shares held at 31 March 2015 is €10m (2014: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2015. See note 4.

Inventory

The Group had total inventory balances of €7.9m (2014: €6.1m). Finished goods consisting of Accoya[®] represented €3.1m (2014: €3.5m) and raw materials and work in progress, primarily consisting of unprocessed lumber, being €4.8m (2014: €2.6m). The increase is attributable to the increased sales levels compared to the previous year.

Cash and cash equivalents

The Group had cash and bank deposits of €10.8m at the end of the period (2014: €15.2m). The decrease in the year is mainly the result of €2.9m of cash out-flows from operating activities before changes in working capital, a 19% decrease compared to the previous year (2014: €3.6m). However, this included €3.2m in respect of the exceptional costs associated with the Diamond Wood arbitration (2014: €0.5m), such that the underlying cash flow from operating activities before changes in working capital was €0.3m in-flow compared to €3.1m out-flow in the prior year.

€1.0m of cash out-flow was attributable to changes in working capital (2014: €0.3m in-flow), as a result of an increase in inventories and trade and other receivables. Further cash out-flows were attributable to €0.2m expenditure in respect of capitalised development costs (2014: €0.5m), €0.9m in respect of tangible fixed assets (2014: €0.6m) and €1.0m investment in Tricoya Technologies Limited (2014: €1.2m), which was accounted as a joint venture during the period.

€1.3m of cash was recorded as a result of fully consolidating TTL as at 31 March 2015, with TTL having received a second tranche of funding in March 2015 from the EC for the Life + subsidy in respect of the Tricoya project.

Trade and other receivables

Trade and other receivables have increased to €5.0m (2014: €4.5m). Within this, trade receivables decreased marginally from €3.1m to €3.0m despite the significantly higher sales levels, mostly due to vigorous working capital management.

Trade and other payables

Trade and other payables have increased to €9.6m (2014: €5.6m). Included within this, trade payables remained consistent at €3.8m (2014: €4.8m) largely as a result of the increased activity levels. In addition, accruals and deferred income increased from €1.7m to €4.6m as a result of €2m of funding received from Solvay in the period in respect of the Global Marketing Agreement agreed in December 2014 and due to the inclusion of balances of TTL which reflect funding received from the European Community in respect of a Life+ subsidy relating to the Medite Tricoya[®] project which included the second tranche of €0.9m received in March 2015.

Finance lease creditor

The Group has previously entered into a sale and leaseback agreement for part of the Arnhem land and buildings. The first phase was resulted in proceeds of €2.2m which has been accounted for as a finance lease. At 31 March 2015 there are €2.1m of payments committed to over the remaining life of the lease (2014: €2.1m) (see note 25). The second part of the sale and leaseback of the land in Arnhem was completed in February 2013, however this has been accounted for as an operating lease (see note 24).

Accsys Technologies PLC

Financial Review continued

Capital structure

Details of the issued share capital, together with the details of the movements in the Company's issued share capital in the year are included in note 23. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

Further to the passing of all resolutions at the Company's AGM held on 11 September 2014, the entire issued share capital of the Company was consolidated on a 5:1 basis with effect from 12 September 2014.

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

Details of employee share schemes are set out in Note 14. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Going concern

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya[®] wood from the plant in Arnhem and the collection of on-going working capital items in line with internally agreed budgets.

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

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

William Rudge
Finance Director
15 June 2015

Accsys Technologies PLC

Directors Report for the year ended 31 March 2015

The Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2015.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 20, and shows the loss for the year.

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

Principal activities and review of the business

The principal activity of the Group is the production and sale of Accoya® solid wood and licensing of technology for the production and sale of Accoya® wood and Tricoya® wood elements via the Company's 100% owned subsidiaries, Titan Wood Limited, Titan Wood B.V., Titan Wood Technology B.V. and Titan Wood Inc and Tricoya Technologies Limited (collectively the 'Group'). Manufactured through the Group's proprietary acetylation processes, these products exhibit superior dimensional stability and durability compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials. A review of the business is set out in the Chairman's statement and the Chief Executive's report on pages 1 to 5. Accsys Technologies PLC is incorporated in the United Kingdom.

Strategy and business model

The Strategy and Business model section, on page 6, sets out the Company's strategy, business model and key performance indicators.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are set out in Note 26 of the financial statements.

Share issues

Further to the passing of all resolutions at the Company's AGM held on 11 September 2014, the entire issued share capital of the Company was consolidated on a 5:1 basis with effect from 12 September 2014. Accordingly, all figures concerning the number of shares stated below represent the new €0.05 Ordinary Shares.

On 18 August 2014, a total of 27,819 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 12 August 2014, a total of 99,559 of €0.05 Ordinary shares were issued and released to employees together with the 99,559 of €0.05 Ordinary shares issued to trust on 12 August 2013.

In 19 January 2015, a total of 53,922 of €0.05 ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

Principal risks and uncertainties

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

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

(a) Economic and market conditions

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

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

Accsys Technologies PLC

Directors Report for the year ended 31 March 2015 continued

(b) Regulatory, legislative and reputational risks

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

(c) Employees

The Group's success depends on its ability to continue to attract, motivate and retain highly qualified employees. The highly qualified employees required by the Group in various capacities are sometimes in short supply in the labour market.

(d) Intellectual property

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

(e) Litigation

During the period the arbitration process with Diamond Wood which commenced in the previous period was resolved. Further details are provided in note 4.

Greenhouse gas ('GHG') emissions

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

	2015	2014	2013
	Kg CO₂eq	Kg CO₂eq	Kg CO₂eq
Electricity, heat, steam and cooling for own use - GROSS	3,135,167	2,800,294	2,292,045
Electricity, heat, steam and cooling for own use NET (including Renewable Energy Credits)	88,714	40,211	49,128
Combustion of fuel & operation of production facility (MP4), in Arnhem, the Netherlands	2,939,167	2,263,107	2,194,196
TOTAL - GROSS	6,074,334	5,063,401	4,486,241
TOTAL - NET (including Renewable Energy Credits)	3,027,882	2,303,318	2,243,324
Chosen intensity measurement: Emissions per cubic meter Accoya produced - GROSS	178	210	303
Chosen intensity measurement: Emissions per cubic meter Accoya produced - NET (including Renewable Energy Credits)	89	95	151

Notes:

- Due to unavailability of data, GHG emissions related to our offices and staff travel are not included. Emissions have been calculated following the GHG Protocol - Corporate Accounting and Reporting (revised edition) using the following databases: IPCC 2006 Guidelines for National Greenhouse Gas Inventories, 2007 IPCC Fourth Assessment Report and Eco-Invent v3.
- Following Environmental Reporting Guidelines of Defra (2013), carbon offsets due to e.g. purchase of Renewable Energy Credits may be accounted for separately as a "NET" figure, while the original electricity consumption figures are presented as a "GROSS" figure.
- Following the same (Defra 2013) guidelines, the emissions associated with our supply chain (inputs and outputs) are not included in the figures above, for readers that are interested in the supply chain related figures we refer to our publicly available carbon footprint report: <http://www.accoya.com/wp-content/uploads/2013/09/Verco-Cradle-to-gate-carbon-footprint-update-2012.pdf>.

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

Accsys Technologies PLC

Directors Report for the year ended 31 March 2015 continued

Directors

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

Gordon Campbell	(Died, 26 April 2014)
Sean Christie	(Appointed 27 November 2014)
Paul Clegg	
Sue Farr	(Appointed 27 November 2014)
Montague John 'Nick' Meyer	
Hans Pauli	
William Rudge	
Patrick Shanley	

Directors' indemnities

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

Employment policies

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

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

Health and safety

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

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

Significant shareholdings

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

• Royal Bank of Canada	5.73%
• OP-Pohjola Group Central Cooperative	5.55%
• INEOS	5.43%
• OP-Henderson Global Investors	5.16%
• The London & Amsterdam Trust Company Limited	5.13%
• Majedie UK Equity Fund	5.06%
• FIL Limited (formerly known as Fidelity International Limited)	4.93%
• Invesco Limited	4.87%
• Saad Investments Company Limited	3.92%
• Zurab Lysov	3.71%

There are no restrictions in respect of voting rights.

Going concern

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

Corporate Governance

The company's statement on corporate governance can be found in the corporate governance report on pages 17 to 18 of these financial statements. The corporate governance report forms part of this directors' report and is incorporated into it by cross-reference

Accsys Technologies PLC

Directors Report for the year ended 31 March 2015 continued

Disclosure of information to auditors

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

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

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

Independent Auditors

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

By order of the Board

Angus Dodwell
Company Secretary
15 June 2015

Accsys Technologies PLC

Corporate Governance

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

The Board of Directors

During the period up until 26 April, the Board comprised a Non-executive Chairman, two Non-executive Directors and three Executive Directors. Gordon Campbell, the Non-executive Chairman in the period, very sadly died on 26 April 2014. Patrick Shanley was appointed Chairman and a review of the composition of the Board was undertaken. On 20 November 2014 Patrick was confirmed as Non-executive Chairman and on 27 November Sean Christie and Sue Farr were appointed as Non-executive Directors.

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

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

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

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

Audit Committee

The Audit Committee consisted of Patrick Shanley (Chairman), Nick Meyer and up until 26 April 2014, Gordon Campbell. From 27 November Sean Christie and Sue Farr were also appointed and Sean Christie was appointed Chairman of the Committee. The Audit Committee meets at least twice a year and is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board. The Committee also discusses the scope of the audit and its findings and considers the appointment and fees of the external auditors. The Audit Committee continues to believe that it is not currently appropriate for the Company to maintain a dedicated internal audit function due to its size.

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

Nominations & Remuneration Committee

The Nominations and Remuneration Committee consists of Nick Meyer (Chairman), Patrick Shanley and, until April 2014, Gordon Campbell. Sean Christie and Sue Farr were appointed on 27 November. The Committee's role is to consider and approve the nomination of Directors and the remuneration and benefits of the Executive Directors, including the award of share options and bonus share awards. In framing the Company's remuneration policy, the Nominations & Remuneration Committee has given full consideration to Section D of The UK Corporate Governance Code.

Internal Financial Control

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

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

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

Accsys Technologies PLC

Corporate Governance continued

Relations with shareholders

Communications with shareholders are given high priority.

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

Directors' attendance record

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

Number of meetings	Board		Audit Committee		Nominations & Remuneration Committee	
	Attended ¹	Serving	Attended	Serving	Attended	Serving
Sean Christie	2	2	1	-	1	-
Paul Clegg	11	13	2	-	3	-
Sue Farr	2	2	1	-	1	-
Montague John 'Nick' Meyer	8	13	2	2	3	3
Hans Pauli	11	13	2	-	1	-
Patrick Shanley	9	13	2	2	3	3
William Rudge	11	13	2	-	1	-

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

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

Notes

- 1 A number of board committee meetings were held in the year in addition to the scheduled board meetings in order to address certain routine matters such as the issue of shares in respect of the Employee Share Scheme.

Accsys Technologies PLC

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Accsys Technologies PLC

Consolidated statement of comprehensive income for the year ended 31 March 2015

		2015 €'000	2015 €'000	2015 €'000	2014 €'000	2014 €'000	2014 €'000
	Note	Before exceptional items	Exceptional items Note 4	Total	Before exceptional items (Restated)	Exceptional items Note 4 (Restated)	Total
Accoya® wood revenue		40,661	-	40,661	29,293	-	29,293
Licence revenue		389	-	389	1,134	-	1,134
Other revenue		5,027	-	5,027	3,085	-	3,085
Total revenue	2	46,077	-	46,077	33,512	-	33,512
Total cost of sales		(33,842)	-	(33,842)	(25,753)	-	(25,753)
Gross profit		12,235	-	12,235	7,759	-	7,759
Other operating costs	3	(15,985)	(2,937)	(18,922)	(14,247)	(726)	(14,973)
Operating loss	7	(3,750)	(2,937)	(6,687)	(6,488)	(726)	(7,214)
Share of joint venture loss	8	(1,098)	-	(1,098)	(905)	-	(905)
Gain on acquisition of subsidiary	4	-	267	267	-	-	-
Finance income	9	73	-	73	155	-	155
Finance expense	10	(208)	-	(208)	(226)	-	(226)
Loss before taxation		(4,983)	(2,670)	(7,653)	(7,464)	(726)	(8,190)
Tax charge	11	(607)	-	(607)	(699)	-	(699)
Loss for the year		(5,590)	(2,670)	(8,260)	(8,163)	(726)	(8,889)
Gain/(Loss) arising on translation of foreign operations, which could subsequently be reclassified into profit or loss		158	-	158	(36)	-	(36)
Total comprehensive loss for the year attributable to owners of the parent		(5,432)	(2,670)	(8,102)	(8,199)	(726)	(8,925)
Basic and diluted loss per ordinary share	13	€(0.06)		€(0.09)	€(0.09)		€(0.10)

The comparative figures for the year ended 31 March 2014 have been restated to reflect the exceptional costs (see note 4).

The notes on pages 24 to 48 form part of these financial statements.

Accsys Technologies PLC

Consolidated statement of financial position at 31 March 2015

Registered Company 05534340

	Note	2015 €'000	2014 €'000
Non-current assets			
Intangible assets	15	10,014	8,333
Investment in joint venture	8	-	340
Property, plant and equipment	16	19,548	20,740
Available for sale investments	17	-	-
		<u>29,562</u>	<u>29,413</u>
Current assets			
Inventories	20	7,894	6,053
Trade and other receivables	21	4,998	4,477
Cash and cash equivalents		10,786	15,185
Corporation tax		388	446
		<u>24,066</u>	<u>26,161</u>
Current liabilities			
Trade and other payables	22	(9,625)	(5,557)
Obligation under finance lease	26	(264)	(264)
Corporation tax		(812)	-
		<u>(10,701)</u>	<u>(5,821)</u>
Net current assets		13,365	20,340
Non-current liabilities			
Obligation under finance lease	26	(1,799)	(1,871)
		<u>(1,799)</u>	<u>(1,871)</u>
Net assets		<u>41,128</u>	<u>47,882</u>
Equity and reserves			
Share capital - Ordinary shares	23	4,440	4,392
Share premium account		128,714	128,648
Capital redemption reserve		148	148
Warrants reserve		-	235
Merger reserve		106,707	106,707
Accumulated loss		(199,022)	(192,223)
Own shares		(39)	(47)
Foreign currency translation reserve		180	22
Total equity		<u>41,128</u>	<u>47,882</u>

The financial statements on pages 20 to 48 were approved by the Board and authorised for issue on 15th June 2015, and signed on its behalf by

Paul Clegg
William Rudge

Directors

The notes on pages 24 to 48 form part of these financial statements.

Accsys Technologies PLC

Consolidated statement of changes in equity for the year ended 31 March 2015

	Share capital Ordinary €000	Share premium €000	Capital redemption reserve €000	Warrant reserve €000	Merger reserve €000	Own Shares €000	Foreign currency trans- lation reserve €000	Retained earnings €000	Total €000
Balance at 31 March 2013	4,332	128,587	148	235	106,707	(39)	58	(184,511)	55,518
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	(36)	(8,889)	(8,925)
Share based payments	-	-	-	-	-	-	-	1,177	1,177
Shares issued	60	-	-	-	-	(8)	-	-	52
Premium on shares issued	-	60	-	-	-	-	-	-	60
Share Warrants issued	-	-	-	-	-	-	-	-	-
Balance at 31 March 2014	4,392	128,648	148	235	106,707	(47)	22	(192,223)	47,882
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	158	(8,260)	(8,102)
Expiry of warrants	-	-	-	(235)	-	-	-	235	-
Share based payments	-	-	-	-	-	-	-	1,226	1,226
Shares issued	48	-	-	-	-	8	-	-	56
Premium on shares issued	-	66	-	-	-	-	-	-	66
Balance at 31 March 2015	4,440	128,714	148	-	106,707	(39)	180	(199,022)	41,128

Share capital is the amount subscribed for shares at nominal value (note 23).

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.

Capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares.

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

Own shares represents 783,597 shares issued to an Employee Benefit Trust at nominal value on 11 August 2014. These shares shall vest if the employees, including the Executive Directors, remain in employment with the Company to the vesting date, being 1 July 2015 (subject to certain other provisions including good-leaver, take-over and committee discretion provisions). (note 14).

On 31 March 2015, Accsys agreed to acquire the remaining 50% equity in Tricoya Technologies Limited from Ineos. As a result of this agreement and the termination of the joint venture agreement, all of the warrant instruments which had been executed in 2012 in favour of Ineos lapsed.

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

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

The notes on pages 24 to 48 form part of these financial statements.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

	2015	2014
	€'000	€'000
Loss before taxation	(7,653)	(8,190)
<i>Adjustments for:</i>		
Amortisation of intangible assets	375	352
Depreciation of land, property, plant and equipment	2,100	2,024
Recognition of reduction of investment in joint venture	1,172	922
Net loss/(gain) on disposal of property, plant and equipment	-	77
Net finance expense	135	71
Equity-settled share-based payment expenses	1,226	1,177
Gain on acquisition of subsidiary	(267)	-
Cash flows from operating activities before changes in working capital	<u>(2,912)</u>	<u>(3,567)</u>
Increase in trade and other receivables	(1,566)	(253)
Increase in deferred income	1,556	-
(Increase) in inventories	(1,860)	(1,194)
Increase in trade and other payables	909	1,757
Net cash used in operating activities before tax*	<u>(3,873)</u>	<u>(3,257)</u>
Tax received	263	344
Net cash flows used in operating activities	<u><u>(3,610)</u></u>	<u><u>(2,913)</u></u>
Cash flows from investing activities		
Interest received	70	124
Expenditure on capitalised internal development	(201)	(459)
Purchase of property, plant and equipment	(907)	(572)
Purchase of intangible assets	-	(23)
Investments in joint ventures	(1,000)	(1,200)
Cash generated in acquisition of subsidiary, net of consideration	1,338	-
Net cash used in investing activities	<u><u>(700)</u></u>	<u><u>(2,130)</u></u>
Cash flows from financing activities		
Interest paid	(208)	(226)
Repayment of finance lease	(72)	(54)
Proceeds from issue of share capital	123	70
Net cash used in financing activities	<u><u>(157)</u></u>	<u><u>(210)</u></u>
Net decrease in cash and cash equivalents	(4,467)	(5,253)
Effect of exchange rate changes on cash and cash equivalents	68	(29)
Opening cash and cash equivalents	15,185	20,467
Closing cash and cash equivalents	<u><u>10,786</u></u>	<u><u>15,185</u></u>

*Note: Cash out-flows from operating activities after changes in working capital included €3,159,000 in respect of Exceptional Costs (2014: €498,000)

The notes on pages 24 to 48 form part of these financial statements.

1. Accounting Policies

General information

The financial information set out in these preliminary results does not constitute the company's statutory accounts for the periods ended 31 March 2015 or 31 March 2014. Statutory accounts for the period ended 31 March 2014 have been filed with the Registrar of Companies and those for the period ended 31 March 2015 will be delivered to the Registrar in due course; both have been reported on by the auditors. The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2014 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The auditors' report on the Annual Report and Financial Statements for the period ended 31 March 2015 is unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Basis of accounting

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

Going Concern

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

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future. These forecasts indicate that, in order to continue as a going concern, the Group is dependent on the achievement of certain operating performance measures relating to the production and sales of Accoya[®] wood from the plant in Arnhem and the collection of on-going working capital items in line with internally agreed budgets.

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

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

Changes in accounting policies

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

Exceptional Items

Exceptional items are events or transactions that fall outside the ordinary activities of the Group and which by virtue of their size or incidence, have been separately disclosed in order to improve a reader's understanding of the financial statements. These include items relating to the restructuring of a significant part of the Group, impairment losses (or the reversal of previously recorded exceptional impairments), expenditure relating to the integration and implementation of significant acquisitions and other one-off events or transactions. See note 4 for details of exceptional items.

Business combinations

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

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

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

Joint ventures

A jointly controlled entity is an entity in which the Group holds a long term interest and shares joint control over strategic, financial and operating decisions with one or more other ventures under a contractual arrangement. The Group's share of the assets, liabilities, income,

expenditure and cash flows of such jointly controlled entities are accounted for using the equity method. The equity method records the Group's share of the results of the joint venture entity on a separate line in the Group's financial statements.

The total carrying values of investments in joint ventures represent the cost of each investment including the carrying value of any goodwill, the share of post-acquisition retained earnings, any other movements in reserves and any long term debt interests which in substance form part of the Group's net investment. The carrying values of joint ventures are reviewed on a regular basis and if an impairment in value has occurred, the carrying value is impaired in the period in which the relevant circumstances are identified. The Group's share of a joint venture's losses in excess of its interest in that associate is not recognised unless the Group has an obligation to fund such losses. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Revenue recognition

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

Manufacturing revenue

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

Licence fee and Marketing income

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

Finance income

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

Finance expense

Finance expenses include the fees associated with the Group's credit facilities which are expensed over the period which the Group has access to the facilities.

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

Share based payments

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

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

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

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

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

Dividends

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

Pensions

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

Taxation

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

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

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

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

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

Foreign currencies

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

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

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

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

Government grants

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

Goodwill

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

Other intangible assets

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

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

Property, plant and equipment

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

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

Impairment of non-financial assets

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

Leases

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

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

Inventories

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

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

Financial assets

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities

Other financial liabilities

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

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.

Accounting estimates and judgements

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

Revenue recognition

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

Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of judgments in relation to discount rates and future forecasts. (See note 15). The recoverability of these balances is dependent upon the Group's existing licensees progressing with the completion of their manufacturing facilities or the signing of new licence or consortium agreements. 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 either existing licensees or under new license or consortium agreements will be generated, demonstrating the recoverability of these balances.

Intellectual property rights and property, plant and equipment

The Group tests the carrying amount of the intellectual property rights and property, plant and equipment whenever events or changes in circumstances indicate that the net book value may not be recoverable. These calculations require the use of estimates in respect of future cash-flows from the assets by applying a discount rate to the anticipated pre-tax future cash-flows. The Group also reviews the estimated useful lives at the end of each annual reporting period. (See note 15 & 16). The price of the Accoya® wood and the raw materials and other inputs vary according to market conditions outside of the Group's control. Should the price of the raw materials increase greater than the sales price or in a way which no longer makes Accoya® competitive, then the carrying value of the property, plant and equipment or IPR may be in doubt and become impaired. The Directors consider that the current market and best estimates of future prices mean that this risk is limited.

Inventories

The Group reviews the net realisable value of, and demand for, its inventory on a monthly basis to provide assurance that recorded inventory is stated at the lower of cost and net realisable value after taking into account the age and condition of inventory. (See note 20).

Available for sale investments

The Group has an investment in unlisted equity shares carried at nil value. The investment is valued at cost less any impairment as a reliable fair value cannot be obtained since there is no active market for the shares and there is currently uncertainty around the future funding of the business. The Group makes appropriate enquiries and considers all of the information available to it in order to assess whether any impairment has occurred. (See note 17).

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

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

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

- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (amendments) 'Separate financial statements'
- IAS 28 (amendments) 'Associates and joint ventures'
- IAS 32 (amendments) 'Financial instruments presentation'
- IAS 36 (amendments) 'Recoverable Amount Disclosures for Non-Financial Assets'

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

2. Segmental reporting

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

Result by Segment:	Licensing, Management and Business Development	
	2015 €'000	2014 €'000
Revenue	1,051	1,134
Cost of sales	-	-
Gross profit	1,051	1,134
Other operating costs	(8,527)	(6,954)
Exceptional Items	(2,937)	(726)
Other operating costs	(11,464)	(7,680)
Loss from operations	(10,413)	(6,546)
Loss from Operations	(10,413)	(6,546)
Depreciation and amortisation	430	412
EBITDA	(9,983)	(6,134)
	Manufacturing	
Revenue	45,026	32,378
Cost of sales	(33,842)	(25,753)
Gross profit	11,184	6,625
Other operating costs	(6,253)	(6,142)
Profit/(loss) from operations	4,931	483
Profit/(loss) from Operations	4,930	483
Depreciation and amortisation	2,004	1,910
EBITDA	6,935	2,393
	Research and Development	
Revenue	-	-
Cost of sales	-	-
Gross result	-	-
Other operating costs	(1,205)	(1,151)
Loss from operations	(1,205)	(1,151)
Loss from Operations	(1,205)	(1,151)
Depreciation and amortisation	41	54
EBITDA	(1,164)	(1,097)
	Total	
Revenue	46,077	33,512
Cost of sales	(33,842)	(25,753)
Gross profit	12,235	7,759
Other operating costs	(15,985)	(14,247)
Exceptional Items	(2,937)	(726)
Other operating costs	(18,922)	(14,973)
Loss from operations	(6,687)	(7,214)
Share of joint venture loss	(1,098)	(905)
Finance income	73	155
Finance expense	(208)	(226)
Exceptional gain on acquisition of subsidiary	267	-
Loss before taxation	(7,653)	(8,190)
Loss from Operations	(6,687)	(7,214)
Share of joint venture loss	(1,098)	(905)
Depreciation and amortisation	2,475	2,377
EBITDA	(5,310)	(5,742)
EBITDA (before exceptional items)	(2,372)	(5,017)

Licensing, Management and Business Development

Revenue is attributable to fees from licensees of the Group's technology to third parties.

Other operating costs include all remaining costs unless they are directly attributable to Manufacturing or Research and Development. This includes marketing, business development, management and the majority of the Group's administration costs including the head office in Windsor as well as the US office.

Headcount = 21 (2014: 21)

Manufacturing

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

All costs of sales are allocated against manufacturing activities in Arnhem unless they can be directly attributable to a licensee.

Other operating costs include depreciation of the Arnhem property, plant and equipment together with all other costs associated with the operation of the Arnhem manufacturing site, including directly attributable administration costs.

Headcount = 77 (2014: 67)

Research and Development

Costs are associated with various R&D activities associated with Accoya® and processes. The costs are reported excluding €201,000 of costs which have been capitalised in accordance with IFRS. (2014: €455,000).

Headcount = 13 (2014: 13)

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

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

Analysis of Revenue by geographical area of customers:

	2015	2014
	€'000	€'000
UK and Ireland	17,760	11,300
Benelux	8,431	8,822
Rest of Europe	10,704	7,501
Americas	5,522	3,376
Asia-Pacific	3,151	1,901
Rest of World	509	612
	<u>46,077</u>	<u>33,512</u>

Revenue generated from two customers exceeded 10% of Group revenue of 2015, represented by 34% and 31% respectively, of the revenue from the United Kingdom and Ireland and relates to manufacturing revenue. Revenue generated from one single customer exceeded 10% of Group revenue in 2014. (43% of United Kingdom).

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

	2015	2014
	€'000	€'000
UK	5,803	4,491
Other countries	19,528	20,690
Un-allocated - Goodwill	4,231	4,231
	<u>29,562</u>	<u>29,412</u>

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

3. Other operating costs

Other operating costs consist of the operating costs, other than the cost of sales, associated with the operation of the plant in Arnhem and the offices in Dallas and Windsor:

	2015	2014
	€'000	€'000
Sales and marketing	3,191	2,882
Research and development	1,205	1,151
Depreciation and amortisation	2,475	2,377
Other operating costs	2,395	2,243
Administration costs	6,719	5,594
Exceptional Items	2,937	726
	<u>18,922</u>	<u>14,973</u>

During the period, €201,000 (2014: €459,000) of development costs were capitalised and included in intangible fixed assets. This includes nil in respect of the Accoya® licence Process Design Package (2014: €152,000).

Administration costs also include the costs associated with the Group's head office in Windsor, the US office in Dallas together with business development and management costs.

Exceptional costs relate to the arbitration with Diamond Wood – see note 4.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

4. Exceptional items

On 25 July 2014 Accsys announced that the arbitration tribunal (the "Tribunal") appointed in relation to the dispute between Accsys and Diamond Wood China Limited ("Diamond Wood") had delivered a 'First Partial Final Award' (the "Award").

In response to Diamond Wood's claim against Accsys, namely for damages in excess of €140 million as previously published by Diamond Wood, and for the continuation of the Licence Agreement, the Tribunal ruled that Diamond Wood could only claim for limited damages (if any) up to a maximum of €250,000. However, the Tribunal also ruled that the licence agreement between the two parties is to continue.

On 19 September 2014 Accsys announced that the Tribunal issued a final award in respect of costs relating to the Ruling which are payable to Diamond Wood, being approximately £1.6m.

The Exceptional item therefore includes €2.4m in respect of the awards for damages and Diamond Wood's costs. In addition, Accsys has incurred a further €0.5m in respect of its own legal costs in the period. This is in addition to €0.7m incurred in the previous financial year which has also been represented as an exceptional item.

In addition there is also an exceptional item gain of €267,000 recorded in the period relating to the acquisition of the remaining 50% of Tricoya Technologies Limited – see note 8.

5. Employees

	2015 €'000	2014 €'000
Staff costs (including Directors) consist of:		
Wages and salaries	7,138	6,469
Social security costs	1,051	926
Other pension costs	516	434
Share based payments	1,427	1,177
	<u>10,132</u>	<u>9,006</u>

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

	Number	Number
Administration, research and engineering	67	67
Operating	44	34
	<u>111</u>	<u>101</u>

6. Directors' remuneration

	2015 €'000	2014 €'000
Directors' remuneration consists of:		
Directors' emoluments	992	894
Company contributions to money purchase pension schemes	50	47
	<u>1,042</u>	<u>941</u>

Compensation of key management personnel included the following amounts:

	Salary, bonus and short term benefits €'000	Pension €'000	Share based payments charge €'000	2015 Total €'000	2014 Total €'000
Paul Clegg	403	31	482	916	826
Hans Pauli	266	12	154	432	393
William Rudge	179	7	83	269	232
	<u>848</u>	<u>50</u>	<u>719</u>	<u>1,617</u>	<u>1,451</u>

The Group made contributions to 3 (2014: 3) Directors' personal pension plans.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

7. Operating loss

	2015 €'000	2014 €'000
This has been arrived at after charging:		
Staff costs	10,131	9,006
Legal costs - Diamond Wood arbitration (note 4)	2,937	726
Depreciation of property, plant and equipment	2,100	2,024
Amortisation of intangible assets	375	352
Operating lease rentals	1,030	1,011
Foreign exchange (gains)/losses	(31)	65
Research & Development (excluding staff costs)	658	535
Loss on disposal of property, plant and equipment	-	77
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	72	63
Fees payable to the Company's auditors for other services:		
- audit of the Company's subsidiaries pursuant to legislation	91	80
- audit related assurance services	27	24
Total audit and audit related services:	<u>190</u>	<u>167</u>
- tax compliance services	71	53
- all other services	15	27
Total tax and other services:	<u>86</u>	<u>80</u>

8. Joint venture and business combination

On 5 October 2012, Accsys entered into a 50:50 joint venture with Ineos to exploit Accsys' intellectual property surrounding its proprietary Tricoya[®] wood elements acetylation technology and processes, which is expected to lead to the accelerated global deployment of Tricoya. The company, Tricoya Technologies Limited ('TTL'), will develop and exploit Accsys' Tricoya technology for use within MDF, particle board and wood plastic composites in a worldwide panel products market estimated to be worth more than €60 billion annually.

As part of the transaction, TTL was granted rights to exploit Accsys' Tricoya[®] technology and also benefited from a licence of any intellectual property held by Ineos that may assist the joint venture in maximising the value of the Tricoya[®] proposition. Results generated by TTL were to be shared between Accsys and Ineos in a way that reflected each party's interest, which was 50% during the period.

TTL has been accounted for during the period using the equity method reflecting that it was a joint venture. On 31 March 2015, Accsys agreed to acquire Ineos's 50% equity interest as part of terms which included the termination of the joint venture agreement and for consideration of €1. Therefore as at 31 March 2015, Accsys owned 100% of the share capital of TTL and its balance sheet has been fully consolidated.

The fair value of the assets and liabilities acquired was determined to be the same as the book value held in TTL's own books (as below) and no additional assets or liabilities were identified in the business combination. A resulting gain of €267,000 has been recorded in the period as a gain on acquisition of subsidiary due to this bargain purchase, and is shown as an exceptional item.

Income statement of TTL joint venture:

	2015 €'000	2014 €'000
Revenue	483	153
Costs:		
Staff costs	1,346	1,230
Research & development (excluding staff costs)	515	278
Intellectual Property	242	133
Sales & marketing	576	322
Joint venture loss	<u>2,196</u>	<u>1,810</u>
Group share of joint venture loss	<u>1,098</u>	<u>905</u>
Investment in joint venture at 1 April	340	62
Group share of loss reported	(1,098)	(905)
Less elimination of mark-up on recharged costs	29	(17)
Investments in joint venture	1,600	1,200
Disposal of investment in joint venture on acquisition of investment in subsidiary	(871)	-
Carrying value of joint venture at 31 March	<u>-</u>	<u>340</u>

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Notes to the financial statements for the year ending 31 March 2015 continued

Tricoya Technologies Limited statement of financial position at 31 March 2015:

	2015	2014
	€'000	€'000
Non-current assets		
Intangible assets	1,855	1,382
Current assets		
Receivables due within one year	71	150
Cash and cash equivalents	1,338	499
	<u>1,409</u>	<u>649</u>
Current liabilities		
Trade and other payables	(2,229)	(1,302)
Net current assets	(820)	(653)
Net assets	<u>1,035</u>	<u>729</u>
100% attributable to Accsys Technologies (2014: 50%)	1,035	365
Less elimination of mark-up on recharged costs	<u>29</u>	<u>(17)</u>
Equity and reserves		
Share capital	5,900	3,400
Accumulated loss	(4,865)	(2,671)
Total equity	<u>1,035</u>	<u>729</u>
9. Finance income		
	2015	2014
	€'000	€'000
Interest receivable on bank and other deposits	73	155
	<u>73</u>	<u>155</u>
10. Finance expense		
	2015	2014
	€'000	€'000
Arnhem land sale and leaseback finance charge	208	226
	<u>208</u>	<u>226</u>

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Notes to the financial statements for the year ending 31 March 2015 continued

11. Tax expense

	2015 €'000	2014 €'000
(a) Tax recognised in the statement of comprehensive income comprises:		
Current tax expense		
UK Corporation tax on profits for the year	-	-
Research and development tax credit in respect of current year	(190)	(169)
	<u>(190)</u>	<u>(169)</u>
Overseas tax at rate of 15%	39	2
Overseas tax at rate of 25%	758	-
Deferred Tax		
Utilisation of deferred tax asset	-	866
	<u>607</u>	<u>699</u>

	2015 €'000	2014 €'000
(b) The tax credit for the period is lower than the standard rate of corporation tax in the UK (2015: 21%, 2014: 23%) due to:		
Loss profit before tax	(7,653)	(8,190)
	<u>(1,607)</u>	<u>(1,884)</u>
Expected tax credit at 21% (2014 - 23%)	(1,607)	(1,884)
Expenses not deductible in determining taxable profit	79	367
Under/(over) provision in respect of prior years	802	(383)
Losses transferred to deferred tax asset but not recognised	1,042	2,420
Effects of overseas taxation	109	67
Other temporary differences	(8)	(57)
Research and development tax credit in respect of prior years	(29)	-
Research and development tax credit in respect of current year	219	169
	<u>607</u>	<u>699</u>

12. Dividends Paid

	2015 €'000	2014 €'000
Final Dividend €Nil (2014: €Nil) per Ordinary share proposed and paid during year relating to the previous year's results	-	-
	<u>-</u>	<u>-</u>

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

13. Loss per share

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

<u>Basic and diluted earnings per share</u>	2015	2015	2014	2014
	Before exceptional items	Total	Before exceptional items	Total
Weighted average number of Ordinary shares in issue ('000)	88,538	88,538	87,482	87,482
Loss for the year (€'000)	(5,590)	(8,260)	(8,163)	(8,889)
Basic and diluted loss per share	€(0.06)	€(0.09)	€(0.09)	€(0.10)

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

The weighted average number of shares has been represented for all periods to take account of the 5 to 1 share consolidation which became effective on 12th September 2014.

14. Share based payments

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

In addition, the group operates an Employee Share Participation Plan, which is available to all employees, and also makes annual awards under the Employee Benefit Trust. Details of all these schemes are given below.

Options - total

The following figures take into account options awarded under the LTIP in the period together with share options awarded in previous years under the 2005 and 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	
	2015	2014	2015	2014
1 March 2005	-	269,265	-	0.9
28 March 2007	115,586	747,958	2	3
20 November 2007	48,444	242,236	2.6	3.6
18 June 2008	8,498	42,498	3.3	4.3
8 December 2008	37,110	206,821	3.7	4.7
27 July 2010	164,321	821,620	5.3	6.3
1 August 2011	160,000	800,000	6.3	7.3
19 September 2013 (LTIP)	4,278,630	21,393,185	8.5	9.5
Total	4,812,589	24,523,583	7.9	8.9

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Notes to the financial statements for the year ending 31 March 2015 continued

Movements in the weighted average values are as follows:

	Weighted average exercise price	Number
Outstanding at 31 March 2013	€0.38	25,448,374
Granted during the year - LTIP	€ 0.00	21,393,185
Cancellation of options (in relation to LTIP)	€ 0.32	(22,281,145)
Forfeited during the year	€1.66	(36,831)
Outstanding at 31 March 2014	€0.10	24,523,583
Forfeited before 12 September 2014	€ 0.97	(21,248)
Oustanding 11 September 2014	€ 0.11	24,502,335
Adjustment for 12 September 2014 share consolidation	€ 0.45	(19,601,898)
Outstanding - after impact of 2014 share consolidation	€ 0.56	4,900,437
Forfeited after 12 September 2014	€ 9.15	(33,998)
Expired during the year	€1.60	(53,850)
Outstanding at 31 March 2015	€0.48	4,812,589

The exercise price of options outstanding at the end of the year ranged between €nil (for LTIP options) and €12.90 (2014: NIL and €12.90) and their weighted average contractual life was 8.1 years (2014: 8.9 years).

Of the total number of options outstanding at the end of the year, 77,057 (2014: 202,500) had vested and were exercisable at the end of the year. No options were exercised in the current or previous year.

Long Term Incentive Plan ('LTIP')

During the prior period, the group established a Long Term Incentive Plan, the participants of which are key members of the management team. The establishment of the LTIP was approved by the shareholders at the AGM in September 2013.

A prerequisite of participation in the LTIP was for the management team to agree to the cancellation of their entire outstanding share options, providing the Company with a 5% reduction in the level of dilution to make the new awards. A cancellation was agreed as the most appropriate action as it would focus the management team on the new LTIP and not on historical awards or arrangements. Details of the cancellation of the share options in the prior period (previously awarded under the 2005 and 2008 Share Option schemes) are set out further below.

LTIP overview

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

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

Performance conditions

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

Element A - Vesting is contingent upon continued employment for three years and share price not falling below €0.65 at the end of the performance period.

Element B - Measured against two equally weighted performance conditions:

	Threshold	Target	Maximum
EBITDA (50% of Element B)	€0m	€1.6m	€4m
Share price growth (50% of Element B)	Median of the constituents of the MSCI Europe Index	60th percentile of the constituents of the MSCI Europe Index	Upper quartile of the constituents of the MSCI Europe Index
Vesting level ¹	25%	60%	100%

Notes:

1. Vesting is on a straight line basis between the respective EBITDA and share price targets.

Element C - This element vests in full if the share price is at or above €1.30 at the end of the performance period.

Awards made in prior period

Immediately following the establishment of the new LTIP in September 2013, awards were made to members of the management team. A total of 4,278,630 nil cost options were awarded. 1,593,331 were allocated as Element A, 1,837,572 as Element B and 847,727 were allocated as Element C. At the same time, a total of 4,456,229 of old options were cancelled. All recipients were still employed by the Group as at 31 March 2015.

Element A was designed to recognise the contribution made by individuals to the turnaround of the Company and the cancellation of the existing options was a prerequisite for participation in the LTIP. The quantum of Element A for each participant was linked to the expected value of the existing options which were cancelled where there was a reasonable probability of pay out. As a result, under IFRS 2, the award of Element A was accounted for as a modification of the existing share options and as the award was designed to avoid any transfer of value, the resulting share based payment charge is the same as if the existing options had not been cancelled.

Notes to the financial statements for the year ending 31 March 2015 continued

Elements B and C have been accounted for as new awards with the fair value calculated based on a modified Black-Scholes model assuming inputs described below:

Element	Element B (EBITDA)	Element B (Share price growth)	Element C
Grant date	19Sep13	19Sep13	19Sep13
Share price at grant date (€)	0.70	0.70	0.70
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	Share Price	Exceptional Multiplier
Risk free rate	0.48%	0.48%	0.48%
Expected volatility	40%	40%	40%
Expected dividend yield	0%	0%	0%
Fair value of option	€0.647	€0.388	€0.220

The figures in the table above have been adjusted to reflect the 5 for 1 share consolidation which became effective on 12 September 2014. No LTIP options vested in the period and no new awards were made in the period.

2005 and 2008 Share Option schemes

The following share options awarded under the group's 2005 and 2008 Share Option schemes impacted the current or preceding financial year;

Options granted on 1 March 2005 fully vested during 2011. These options may be exercised until 30 March 2015. At 31 March 2015, nil (2014: 53,850) of these options were outstanding with an exercise price of €1.60.

Options granted on 28 March 2007 at an exercise price of €2.59 per Ordinary share vest to one third of the options granted upon achievement of each of the following:

- Cumulative €5 million licence income recognised under Group accounting policies
- Cumulative €20 million revenue from sales of Accoya® wood
- Announcement of annual Group distributable earnings exceeding €5 million

Once vested, these options may be exercised until 31 March 2017. At 31 March 2015, 115,586 (2014: 149,584) of these options were outstanding at an exercise price of €9.15.

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

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

Once vested these options may be exercised until 20 November 2017. At 31 March 2015, 48,444 (2014: 48,444) of these options were outstanding at an exercise price of €12.90.

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

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

Once vested these options may be exercised until 18 June 2018. At 31 March 2015, 8,498 (2014: 8,498) of these options were outstanding at an exercise price of €9.90.

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

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

Once vested these options may be exercised until 8 December 2018. At 31 March 2015, 37,110 (2014: 41,359) of these options were outstanding at an exercise price of €4.85.

Options granted on 27 July 2010 were partially exchanged in the period for new awards issued under the LITP. 30% of the options vest on achievement of median TSR. Once vested, these options may be exercised until 27 July 2020. Full vesting of the options granted occurs upon achievement of upper quartile TSR measured over the three year period. At 31 March 2015, 164,321 (2014: 164,321) of these options were outstanding at an exercise price of €1.20.

Options granted on 1 August 2011 were partially exchanged in the period for new awards issued under the LITP. 30% of the options vest on achievement of median TSR. Full vesting of the options granted occurs upon achievement of upper quartile TSR

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Notes to the financial statements for the year ending 31 March 2015 continued

measured over the three year period. Once vested, these options may be exercised until 1 August 2021. At 31 March 2015, 160,000 (2014: 160,000) of these options were outstanding at an exercise price of €0.50.

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

The weighted average fair value of each option granted during the prior year was €0.30. No options were granted under the 2005 or 2008 Share Option schemes in the current or previous period.

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

Grant date	August 2011	July 2010
Share price at grant date (€)	0.50	1.70
Exercise price (€)	0.50	1.70
Expected life (years)	3	3
Contractual life (years)	10	10
Risk free rate	1.54%	2.30%
Expected volatility	85%	60%
Expected dividend yield	0%	0.0%
Fair value of option	€0.200	€0.532

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

Employee Benefit Trust – Share bonus award

On 11 August 2014, in connection with the employee remuneration and incentivisation arrangements for the period from 1 April 2013 to 31 March 2014, 783,597 (2014: 953,133) new Ordinary shares were issued to an Employee Benefit Trust, the beneficiaries of which are primarily the Executive Directors and Senior Managers. Such new Ordinary shares vest if the employees remain in employment with the Company at the vesting date, being 1 July 2015 (subject to certain other provisions including regulations, good-leaver, take-over and nomination and remuneration committee discretion provisions). As at 31 March 2015, the Employee Benefit Trust was consolidated by the Company and the 783,597 shares are recorded as Own Shares within equity. During the period, 945,133 Ordinary shares awarded in the prior year vested.

Employee Share Participation Plan

During the year, the Company continued to operate the Employee Share Participation Plan (the 'Plan') that was initiated in a prior year. 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 twice a year following release of annual and half yearly financial results. The maximum amount available for subscription by any employee is €5,000 per annum.

During the year ended 31 March 2015 the plan was open for subscription twice. In July 2014 various employees subscribed for a total of 27,819 Shares at an acquisition price of €1.15 per Share. In December 2014 various employees subscribed for a total of 53,922 Shares at an acquisition prices of €0.79 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 all participants continuing to remain in employment at the point of vesting. 99,559 Matching shares were issued to employees in July 2014.

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Notes to the financial statements for the year ending 31 March 2015 continued

15. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2013	1,396	73,292	4,231	78,919
Additions	459	-	-	459
At 31 March 2014	1,855	73,292	4,231	79,378
Additions	201	-	-	201
Addition on acquisition of subsidiary	1,981	-	-	1,981
At 31 March 2015	4,037	73,292	4,231	81,560
Accumulated amortisation				
At 31 March 2013	55	70,638	-	70,693
Amortisation	77	275	-	352
At 31 March 2014	132	70,913	-	71,045
Amortisation	100	275	-	375
Addition on acquisition of subsidiary	126	-	-	126
At 31 March 2015	358	71,188	-	71,546
Net book value				
At 31 March 2015	3,679	2,104	4,231	10,014
At 31 March 2014	1,723	2,379	4,231	8,333
At 31 March 2013	1,341	2,654	4,231	8,226

The carrying value of internal development costs, intellectual property rights and goodwill on consolidation are considered part of a single cash generating unit which incorporates the manufacturing and licensing operations. The recoverable amount of internal development costs, intellectual property rights and goodwill relating to this operation is determined based on a value in use calculation which uses cash flow projections based on board approved financial budgets. Cash flows have been projected for a period of 10 years plus assumptions concerning a terminal value, corresponding with the expected minimum life of the intellectual property rights and based on a pre-tax discount rate of 20% per annum (2014: 20%). The key assumption used in the value in use calculations is the level of future licence fees estimated by management over the budget period. These have been based on past experience and expected future revenues. The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. An impairment would arise if the total volume of forecast Accoya manufactured is 95% lower than projected sales in future years.

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Notes to the financial statements for the year ending 31 March 2015 continued

16. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2013	5,208	27,190	656	33,054
Additions	43	444	85	572
Disposals	-	(116)	-	(116)
Foreign currency translation gain/(loss)	-	-	(9)	(9)
At 31 March 2014	<u>5,251</u>	<u>27,518</u>	<u>732</u>	<u>33,501</u>
Additions	-	847	63	910
Foreign currency translation gain/(loss)	-	-	27	27
At 31 March 2015	<u>5,251</u>	<u>28,365</u>	<u>822</u>	<u>34,438</u>
Accumulated depreciation				
At 31 March 2013	192	10,057	534	10,783
Charge for the year	115	1,818	91	2,024
Disposals	-	(39)	-	(39)
Foreign currency translation gain/(loss)	-	-	(7)	(7)
At 31 March 2014	<u>307</u>	<u>11,836</u>	<u>618</u>	<u>12,761</u>
Charge for the year	117	1,896	87	2,100
Foreign currency translation gain/(loss)	-	-	29	29
At 31 March 2015	<u>424</u>	<u>13,732</u>	<u>734</u>	<u>14,890</u>
Net book value				
At 31 March 2015	<u>4,827</u>	<u>14,633</u>	<u>88</u>	<u>19,548</u>
At 31 March 2014	<u>4,944</u>	<u>15,682</u>	<u>114</u>	<u>20,740</u>
At 31 March 2013	<u>5,016</u>	<u>17,133</u>	<u>122</u>	<u>22,271</u>

Included within property, plant and equipment are assets with an initial cost of €6,252,000 and a net book value at 31 March 2015 of €3,409,000 which has been accounted for as a finance lease under the terms of the sale and leaseback agreement entered into in a prior year. (See note 25).

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

17. Other financial assets

	2015	2014
	€'000	€'000
Available for sale investments	-	-

Accsys Technologies PLC has previously purchased a total of 21,666,734 unlisted ordinary shares in Diamond Wood China. The Group does not currently have an intention to dispose of its investment in Diamond Wood in the foreseeable future.

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

The historical cost of the unlisted shares held at 31 March 2015 is €10m (2014: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded as at 31 March 2015. (See note 4).

18. Deferred Taxation

The Group has a deferred tax asset of €nil (2014: €nil) relating to trading losses brought forward. €0.9m of deferred tax was utilised in the prior year.

The Group also has an unrecognised deferred tax asset of €23,200,000 (2014: €23,087,000) which is largely in respect of trading losses of the UK subsidiary. The deferred tax asset has not been recognised due to the uncertainty of the timing of future expected profits of the related legal entity attributable to licensing activities.

19. 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.

20. Inventories

	2015	2014
	€'000	€'000
Materials and work in progress	3,068	3,492
Finished goods	4,826	2,561
	<u>7,894</u>	<u>6,053</u>

The amount of inventories recognised as an expense during the year was €30,158,361 (2014: €23,969,284). The cost of inventories recognised as an expense includes a net debit of €157,836 (2014: credit of €409,412) in respect of the inventories sold in the period which had previously been written down to net realisable value.

Accsys Technologies PLC

Notes to the financial statements for the year ending 31 March 2015 continued

21. Trade and other receivables

	2015 €'000	2014 €'000
Trade receivables	3,024	3,060
Other receivables	1,086	385
Prepayments	888	1,031
	<u>4,998</u>	<u>4,476</u>

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The majority of trade and other receivables is denominated in Euros, with €600,000 of the trade receivables denominated in US\$ (2014: €355,000).

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

	2015 €'000	2014 €'000
Up to 30 days overdue	466	183
Over 30 days and up to 60 days overdue	13	136
Over 60 days and up to 90 days overdue	21	(14)
Over 90 days overdue	2	3
	<u>502</u>	<u>308</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 for doubtful debts are individually impaired trade receivables and accrued income with a balance of €25,001,000 (2014: €25,001,000) due from Diamond Wood.

Movement in provision for doubtful debts:

	2015 €'000	2014 €'000
Balance at the beginning of the period	25,019	25,051
Net increase/(release) of impairment if not required	2	(32)
Balance at the end of the period	<u>25,021</u>	<u>25,019</u>

Summary of Receivable Impairments:

	2015 €'000	2014 €'000
Trade receivables - Accoya® wood *	20	18
	<u>20</u>	<u>18</u>

* The impairment of Accoya® wood receivables relates to a number of Accoya® customers.

22. Trade and other payables

	2015 €'000	2014 €'000
Trade payables	3,847	3,790
Other taxes and social security payable	202	110
Other payables	1,000	-
Accruals and deferred income	4,576	1,657
	<u>9,625</u>	<u>5,557</u>

* Accruals and deferred income includes £1.4m of deferred income resulting from the acquisition of Tricoya Technologies Limited.

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Notes to the financial statements for the year ending 31 March 2015 continued

23. Share capital

	2015	2014
	€'000	€'000
Allotted - Equity share capital		
88,792,894 Ordinary shares of €0.05 each (2014: 439,219,864 Ordinary shares of €0.01 each)	4,440	4,392
	<u>4,440</u>	<u>4,392</u>

Further to the passing of all resolutions at the Company's AGM held on 11 September 2014, the entire issued share capital of the Company was consolidated on a 5:1 basis with effect from 12 September 2014. Accordingly, all figures concerning the number of shares stated below represent the new €0.05 Ordinary Shares. (Shares issued prior to this date have been restated accordingly).

In year ended 31 March 2014:

On 5 July 2013, a total of 953,133 shares were issued to an Employment Benefit Trust, the beneficiaries of which were to be the Executive Directors and Senior Managers (see note 14).

On 13 September 2013, a total of 83,066 of Ordinary shares were issued and released to employees together with the 99,570 of Ordinary shares issued to a trust on 12 August 2013. (See note 14).

On 20 January 2014, a total of 73,884 of Ordinary shares were issued and released to employees.

In year ended 31 March 2015:

Own shares represents 783,597 €0.05 Ordinary Shares issued to an Employee Benefit Trust ('EBT') at nominal value on 18 August 2014.

953,133 €0.05 Ordinary Shares had been issued to the EBT at nominal value on 9 July 2013 of which 945,133 Ordinary Shares vested on 8 August 2014.

On 18 August 2014, a total of 27,819 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 12 August 2014, a total of 99,559 of €0.05 Ordinary shares were issued and released to employees together with the 99,559 of €0.05 Ordinary shares issued to trust on 12 August 2013.

In 19 January 2015, a total of 53,922 of €0.05 ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

24. Commitments under operating leases

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

	2015	2014
	€'000	€'000
Operating lease payments due		
Within one year	963	1,003
In the second to fifth years inclusive	1,067	1,210
In greater than five years	1,477	1,477
	<u>3,507</u>	<u>3,690</u>

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

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Notes to the financial statements for the year ending 31 March 2015 continued

25. Commitments under finance leases

Agreements were reached in August 2011 for the sale and leaseback of the land and buildings in Arnhem for a total of €4m. €2.2m was received in 2011 with the remaining amount received in the following year, but accounted for as an operating lease. The transaction has resulted in a finance lease creditor of €2.1m as at 31 March 2015:

	Minimum lease payments	
	2015 €'000	2014 €'000
Amounts payable under finance leases:		
Within one year	280	280
In the second to fifth years inclusive	1,120	1,120
After five years	1,773	2,053
Less: future finance charges	(1,110)	(1,318)
Present value of lease obligations	2,063	2,135

26. Financial instruments

Financial instruments

Finance lease

Agreements were reached in August 2011 for the sale and leaseback of the land and buildings in Arnhem under which a total of €4m was to be received. €2.2m was received in 2011 with the remaining amount received in the following year. Subject to the terms of the agreement, the buyer has committed to build new storage facilities which will also allow for an improvement in wood handling logistics. The transaction has resulted in a finance lease creditor of €2,063,000 as at 31 March 2015 (2014: €2,135,000). The total lease term is 15 years. (See note 24 and 25).

Warrants

In 2012 the Company executed a warrant instrument in favour of Ineos, allowing Ineos the opportunity to purchase up to a further 3,293,647 shares at a price of €1.05 per share at certain times up until 19 October 2016. All 3,293,647 warrants lapsed on 31 March 2015.

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 owners of the parent Company, comprising share capital, reserves and accumulated losses.

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

No final dividend is proposed in 2015 (2014: €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.

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Notes to the financial statements for the year ending 31 March 2015 continued

Categories of financial instruments	2015 €'000	2014 €'000
Available for Sale investments	-	-
Loans and receivables		
Trade receivables	3,024	3,060
Other receivables	1,086	385
Money market deposits in Euro	5,348	11,791
Money at call in Euro	3,807	2,483
Money at call in US dollars	781	602
Money at call in Sterling	635	114
Money at call in New Zealand dollars	215	195
Financial liabilities at amortised cost		
Trade payables	(3,847)	(3,790)
Accruals	(1,577)	(1,149)
Finance lease payable	(2,063)	(2,135)
Other Payables	(1,000)	-
	<u>6,409</u>	<u>11,556</u>

Money market deposits have interest rates fixed for less than three months at a weighted average rate of 0.86% (2014: 1.58%). Money market deposits are held at financial institutions with high credit ratings (Standard & Poor's rating of AA). All assets and liabilities mature within one year except for the finance lease, for which details are given in note 25.

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

Market risk

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

Financial risk management objectives

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

Foreign currency risk management

Currency exposures are limited as the Group's functional currency is the Euro with the majority of operating costs and balances denominated in Euros. 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.

Interest rate risk management

The Group's borrowings are limited to the sale and leaseback of the Arnhem land and buildings and therefore it is not exposed to interest rate risk in relation to financial liabilities. Surplus funds are invested in short term interest rate deposits to reduce exposure to changes in interest rates. The Group does not enter into any hedging arrangements.

Credit risk management

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

The Group ensures that sales are made to customers with an appropriate credit history to reduce the risk where this is considered necessary. The Directors consider the trade receivables at year end to be of good credit quality including those that are past due (note 21). 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 21.

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.

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Notes to the financial statements for the year ending 31 March 2015 continued

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.

In addition to the sale and leaseback of the Arnhem land and buildings described above, the Group has finance facilities available which are secured on trade receivables and inventories:

Trade receivables facility

On 28 February 2011 the Group entered a trade receivable financing and credit management agreement with Fortis Commercial Banking for a period of at least two years from the closing date and with a facility limit of €1.5m. After two years the agreement renews for rolling one year periods. The facility is secured upon the Group's trade receivable.

Inventories facility

On 17 January 2013 the Group entered a credit facility agreement with ABN AMRO Bank N.V. with a facility limit of €3.0m for the financing of the Group's operating activities. The facility is secured against the inventories of the Group.

Both facilities are subject to interest at 1.5% above the ABN AMRO base rate of 3.8% as at 31 March 2015 (2014: 4.0%). At 31 March 2015, the Group had €nil (2014: €nil) borrowed under both of the facilities.

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.

27. Related party transactions

In the year ended 31 March 2015, there were a number of related party transaction with the Tricoya Technologies Limited joint venture, all of which arose in the normal course of business, totalling €1,391,000 (2014: €1,070,000). At the end of the period €792,308 (2014: €298,404) of the total amount was payable from TTL to Accsys group companies.

28. Capital Commitments

	2015	2014
	€'000	€'000
Contracted but not provided for in respect of property, plant and equipment	-	-
