Regulatory Announcement

Company	Accsys Technologies PLC
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World leaders in wood technology

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25 November 2013

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Accsys, the environmental science and technology company whose primary focus is on the production and technology licensing of Accoya® wood and Tricoya® wood elements, today announces interim results for the six months ended 30 September 2013.

	Unaudited six months to 30 Sept 2013	Unaudited six months to 30 Sept 2012	Change
Total Group Revenue	**€15.8m**	€9.1m	+74%
Gross profit	**€3.5m**	€1.9m	+84%
Loss before tax	**€3.8m**	€5.4m	Improved 30%
Period end cash balance	**€16.9m**	€20.7m	-18%

Highlights

- Strong performance, in line with market expectations;
- Highly encouraging trend of revenue growth, with increases across all key global territories; total revenue increased 74% compared to the corresponding period last year, and by 62% compared to the preceding six month period;
- Revenue from the sale of Accoya® increased by 80% to €13.9m in the first half of the year compared to the corresponding period last year;
- Group level gross operating margin increased to 22% (Year to 31 March 2013: 18%) as a result of economies of scale benefits and sales price increases;
- Arnhem plant is now profitable, recording a positive EBITDA of €0.9m (2012: loss of €0.5m) as a result of record production levels; gross manufacturing profit margin increased from 15% to 19%;
- 56% reduction in cash out-flow from operating activities (before changes in working capital) to €1.7m (2012: €3.9m);
- Strong balance sheet maintained with cash balance of €16.9m at 30 September 2013;
- Continued close working relationship with Solvay ahead of their formal approval of the Accoya® wood licence agreement which is expected by the end of this year;
- Tricoya Technologies Ltd, our JV with Ineos formed in order to exploit Tricoya® wood elements globally, entered into a joint development, production and distribution licence agreement in July with Medite, to build and run a Tricoya plant with an initial capacity of 30,000 metric tonnes with exclusive rights to sell in UK, Ireland and the Netherlands;
- Total of 50 distribution or agency agreements now in place, an increase of eight since 31 March 2013, covering most of Europe, Australia, Canada, Chile, India, Israel, Morocco, North America, New Zealand and parts of East and South East Asia; and
- TRADA extended the service life of Accoya® windows to at least 70 years, demonstrating Accoya performs significantly better than even the most durable hardwood timbers.

Paul Clegg, Chief Executive commented: "Accsys has had a highly productive first half of the year. The investment made in sales and marketing over the last two years is now delivering a sustainable trend of highly encouraging revenue growth across all our key global sales territories.

"The combination of sales momentum and encouraging progress towards unconditional licence agreements with Solvay and Medite, alongside continuing discussions with a number of other parties, leaves us very well positioned to achieve profitability at a Group level in the medium-term, and I am comfortable that we will meet market expectations for the full year."

There will be a presentation relating to these results at 10:00 GMT on Monday 25 November 2013. The presentation will take the form of a web based conference call, details of which are below:

Webcast link:

Click here or copy and paste ALL of the following text into your browser:

http://www.media-server.com/m/p/i3mxokys

Conference call details for participants:

Participant Telephone Number: +44(0)20 3427 1919 UK Toll
Confirmation Code: 6126963

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

For further information, please contact:

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Encouraging results demonstrate sustained operational momentum

Accsys has continued to make strong progress in developing the market for Accoya®, licensing our technologies worldwide and moving towards profitability.

Revenue increased by 74% to €15.8m reflecting the increasing demand for our products, with all 10 of our top sales geographies, accounting for 91% of total revenue, recording growth in the period.

Manufacturing profitability has improved significantly, with gross manufacturing profit margin improving from 15% to 19% and the Arnhem plant recording EBITDA of €0.9m compared to a loss of €0.5m in the previous year. This improvement is due to economies of scale achieved from the higher Accoya® production volumes as well as price increases implemented during the period. The Group loss before tax decreased by 29% to €3.8m and our balance sheet remains strong with a cash balance of €16.9m at 30 September 2013 (31 March 2013: €20.5m).

We continue to work closely with Solvay regarding their Accoya® licence in Europe, working with them across a number of business areas including engineering, sales and marketing. The licence agreement remains conditional upon the approval of their Board of Directors, which continues to be expected by the end of this year.

Tricoya Technologies Limited ('TTL'), our joint venture with Ineos, has also made good progress, having now been operating for a year. In July an agreement was entered into granting Medite a licence to build and operate a plant to manufacture an initial capacity of 30,000 metric tonnes per annum of Tricoya. Since then, Medite has begun to make a series of technology based licence fees payments while TTL has commenced work in developing the necessary Process Design Package. The licence, which includes exclusive rights to market and sell in Ireland, the Netherlands and the United Kingdom, remains conditional upon Medite obtaining approval from its Board of Directors, which is expected in 2014.

During the period, we took the decision to terminate our licence agreement with Diamond Wood as a result of Diamond Wood's failure to comply with their contractual obligations. Diamond Wood subsequently served a notice of arbitration challenging our position. We welcome the opportunity of arbitration to confirm the validity of our termination and are extremely confident that the arbitration will be resolved in our favour.

Confident of meeting full year expectations; well placed to capitalise on market opportunities

Our strong sales growth has continued into the second half of the financial year. We are comfortable we will meet market expectations for the full year and remain confident that we will achieve our objective of sustainable profitability in the medium-term.

I expect continued progress with our licensees, Solvay and Medite, and look forward to reporting further developments in due course. Accsys and TTL continue to develop a number of new and existing potential Accoya® and Tricoya® licence opportunities respectively, with counterparties whose combined existing total wood product manufacturing or processing capacity is in excess of 10 million m^3 per annum. While these discussions remain on-going, the complex nature and investment required by a licensee means that the timing and certainty of their completion remain difficult to predict.

Taken together, I am able to look forward with confidence that we are now entering a new phase of consistent growth and progression. The progress has been attributable to the significant investment in sales and marketing activities over the last two years and the consistent effort expended by the entire workforce. I am highly encouraged by the progress the Company has made in the first six months of the financial year and am confident that the senior management team, which has remained unchanged since November 2010, will continue to take Accsys forward in its next stage of development.

Gordon Campbell
Chairman
22 November 2013

Record manufacturing revenue underscores continuing progression

Accsys has made significant progress in its three main business areas in the period with total revenue increasing by 74% to €15.8m (2012: 9.1m). The main business areas have all contributed to Accsys' progression, with record Accoya® manufacturing and sales volumes produced in Arnhem, significant progression made with our existing licensees, Solvay and Medite and the development of new license opportunities, together with a continued investment in research and development to ensure we will continue to be well placed in the future to create and take advantage of opportunities.

In addition, we continue to focus on furthering our sustainability credentials and were pleased to be admitted as a founder member of the Social Stock Exchange in June. More recently Accoya® has been awarded an A Rating NL Green Label, a sustainability label for products and services in the exterior environment in the Netherlands, adding to the many existing accreditations Accsys has obtained.

Further market penetration across all key geographies

Revenue from the sale of Accoya® increased by 80% to €13.9m in the first half of the year compared to the same six months in the previous year. Within this, sales to Accoya® customers (excluding sales to Medite) increased by 62% to €12.4m. Sales of Accoya® to Medite resumed at the end of the previous financial year, following a period in which Medite had built up initial stock levels, resulting in revenue of €1.4m in the period (2012: nil). Revenue from the sale of Accoya also increased by 56% in the first half of the year compared to the second half of the previous financial year.

Growth has been achieved in all regions and is attributable to both existing and new distributors. For example, revenue in the United Kingdom grew by 77%, all derived from existing distributors. We have added new distributors in Spain, Ukraine and South Africa and in addition, following the termination of our licence agreement with Diamond Wood, we are now working directly with companies distributing Accoya® in China and South-East and other parts of East Asia. In particular, we have recently brought into effect distribution agreements covering Malaysia, Philippines, Japan and Singapore. We are confident that this region of Asia remains a key growth market for Accoya®.

Put together, we now have a total of 50 distribution or agency agreements covering most of Europe, Australia, New Zealand, North America, Chile, and large parts of Africa and Asia.

The growth in Accoya® sales has resulted in an improvement in the manufacturing gross margin which increased from 15% to 19%. This improvement is largely due to the higher volumes being produced at our Arnhem plant and the resulting economies of scale, together with price increases implemented during the period. The Arnhem plant is now profitable at an EBITDA level generating €0.9m (2012: EBITDA loss of €0.5m) whilst operating at approximately 60% of its current capacity. We expect the improvement in gross margin to continue as we benefit from further sales growth.

In September we held our third world-wide Accoya® sales conference. The two day event involved 90 participants representing 40 companies, including leading European coating and ironmongery suppliers which met in Bremen, Germany, home of our distributor, Enno Roggemann. Of the participants, 57 representatives were from existing or potential distributors and customers operating in 30 countries around the world. The conference included visits to a window manufacturer, a distributor and coatings supplier who all endorsed Accoya®.

Accoya® continued to receive independent validation in the period, with the Timber Research and Development Association, TRADA, an internationally recognised centre of excellence on the specification and use of timber and wood products, publishing a new report on the market leading durability benefits of Accoya® with its expected service life now independently reported as extending to 70 years when used for window joinery in the UK and Europe.

We have continued to invest in research and development, including work on developing a number of new species of wood to be acetylated. Following on from the introduction of US origin Accoya® Alder last year, we have implemented European origin Accoya Alder® and made progress in developing commercial tests of a number of other species at end user manufacturing facilities with positive results. The ability to commercially acetylate species other than radiata pine will enable Accsys to increase its product offering, with other species offering different characteristics allowing new applications as well as introducing alternative raw material sourcing options for Accsys and licensees.

Continuing progress with licensing activity

Our licence agreement with Solvay remains conditional upon the formal approval of Solvay's board of directors, which is expected by the end of this year. Ahead of this, we have been working closely with Solvay in many areas, actively planning on the next steps. We are finalising the full Process Design Package which will enable Solvay to complete the planning and engineering design required for them to construct their own plant and includes assistance with regulatory and other requirements.

In addition, we have continued to work very closely together to develop the Accoya® market in the European countries to which Solvay will gain exclusivity. For example, following the success of the Accoya® retail decking trial in France and Germany, plans are in place to extend the trial in 2014 with greater participation at existing and new store chains. We are also working with larger size manufacturers with a view to them adopting Accoya® in proven application areas. The close relationship includes both working with and training of new Solvay personnel across different operational areas.

In addition, the Solvay team also attended the World-wide Accoya® sales conference at which they re-affirmed their dedication to Accoya® and presented to our customers and potential new customers as to why Accoya® is a logical new business area for them, building upon their industrial expertise while promoting greater sustainability.

As announced on 16 August, following robust legal advice we took the decision to terminate our licence agreement with Diamond Wood under which they had previously been granted the rights to construct and then run an Accoya® plant in China and parts of South East Asia. As we previously reported, Diamond Wood continually failed to make progress in this respect despite the significant amount of support and work carried out by Accsys since 2007.

Subsequently, Diamond Wood served a notice of arbitration in which it is seeking confirmation that the licence is still in force and seeking damages for the losses it has suffered from the termination. We are fully engaged in the arbitration process and welcome the opportunity it will provide to confirm the validity of Accsys' termination. We remain extremely confident that the arbitration will be resolved in our favour.

Tricoya® Technologies Limited ('TTL')

TTL, our joint venture with Ineos formed to exploit Accsys' intellectual property associated with Tricoya® and to accelerate its global deployment, has now been operating for a year and has made solid progress in this time. In July TTL entered into a joint development, production and distribution licence agreement with Medite to allow Medite to build and operate a plant to manufacture, market and sell Tricoya®, with an initial plant capacity of 30,000 metric tonnes per annum. In return, Medite has begun to make a series of technology-based licence payments which will be followed by royalty fees payable per metric tonne of production.

The licence is conditional upon Medite obtaining approval from its Board of Directors, which is expected in 2014, prior to plant construction. Medite will have exclusive rights to market and sell in Ireland, The Netherlands, and the United Kingdom and non-exclusive rights in other territories.

Following the agreement, TTL has commenced work in producing the Process Design Package which will enable Medite to complete the necessary detailed design of the overall plant. At the same time, TTL continues to work closely with Medite concerning engineering as well as in developing the market.

TTL continues to progress a number of other licence opportunities.

Additional patent awards strengthens Intellectual Property position

During the period we received confirmation from the Patent Offices in China, Indonesia and the USA of the grant of Accoya® process patent claims which successfully secure monopoly rights for our process in those territories for 20 years from the patent application filing date. These granted patents are in addition to the recently obtained product and process patents in New Zealand and Singapore, and further strengthens Accsys' patent portfolio, securing protection for Accsys, its licensees and distributors across the globe. These additional grants will act to further strengthen Accsys' patent portfolio in key global markets.

Accsys has continued to file new patent applications in the recent period and now owns seven different Accoya® patent families, with 32 patents granted and 18 further applications, filed in a total of 30 countries world-wide.

In respect of Tricoya®, TTL benefits from five published patent families with a total of 52 published product and process patent applications filed in key territories across the world.

Our principal brands, Accoya, Accsys, Tricoya and the Trimarque Device, including Arabic, Chinese and Japanese transliterations, are protected by trademark registration in 56 countries throughout the world with pending applications in a further single country. These registrations and applications cover our corporate identity and the products we sell as well as those to be sold by our licensees and distributors.

Confident of meeting expectations and achieving Group profitability in the medium-term

Accsys has had a highly productive first half of the year. The investment made in sales and marketing over the last two years is now delivering a sustainable trend of highly encouraging revenue growth across all our key global sales territories.

The combination of sales momentum and encouraging progress towards unconditional licence agreements with Solvay and Medite, alongside continuing discussions with a number of other parties, leaves us very well positioned to achieve profitability at a Group level in the medium-term, and confident of meeting market expectation for the full year.

Paul Clegg
Chief Executive
22 November 2013

Statement of comprehensive income

Group revenue increased by 74% to €15.8m for the six months ended 30 September 2013 (2012: €9.1m). Revenue from Accoya® (included within manufacturing revenue) increased by 80% to €13.9m, reflecting growth achieved in all regions. €525,000 of licence income was recorded in the period (2012: €553,000) representing revenue generated in the period from the licence with Solvay. The increase in total revenue of 74% is less than the increase previously reported for the five months to August 2013 as a result of the timing of licence income in September 2012. Other revenue, which mainly includes the sale of acetic acid as a by-product from our production process, increased by 64% to €1.4m (2012: €0.8m) as a result of higher production levels.

Gross margin increased from 20.5% to 22% compared to the same period in the previous year. This was driven by a significant improvement in the gross manufacturing margin which increased from 15% to 19%. This margin is expected to improve further as our production volumes increase.

Other operating costs decreased from €7.2m to €6.8m. The decrease is partly attributable to a reduction in sales and marketing costs, noting that the costs in the previous year were higher due to the timing of certain exhibitions. In addition there was a reduction in research and development costs and other operating costs however some of these have effectively been reallocated into the share of joint venture loss.

The share of joint venture loss of €0.4m compares to €0.4m loss recorded in the second half of the previous financial year. Within this, TTL recorded revenue of €0.1m attributable to the licence agreement with Medite.

The Group headcount increased from 94 at 30 September 2012 to 97 at 31 March 2013 and then to 102 at 30 September 2013 reflecting an increase in activity levels, for example in sales and marketing.

The decrease in the loss before tax by 30% to €3.8m (2012: €5.4m) can largely be attributed to the improvement in revenue and gross margin.

Cash flow and financial position

At 30 September 2013, the Group held cash balances of €16.9m, representing a €3.5m reduction compared to 31 March 2013. The reduction included the cash out-flow from operating activities (before changes in working capital) of €1.7m, being a 56% reduction compared to the same period in the prior year (2012: €3.9m). In addition, cash out-flows were also attributable to an increase in working capital of €1.0m, investment in our joint venture TTL of €0.4m, purchases of property plant and equipment of €0.4m and capitalised development costs of €0.3m. These have been offset by a €0.3m receipt of research and development tax credits.

Risks and uncertainties

The Group's principal risks and uncertainties are unchanged from those set out in its 2013 Annual Report.

Going concern

These condensed financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date these interim results were 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 achieving 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
22 November 2013

Directors responsibility statement

The Directors confirm to the best of their knowledge:

- The condensed financial statements contained in the half year report have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;

- The interim results include a fair review of the information required by DTR 4.2.7R being an indication of important events that have occurred during the first six months of the financial year and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- The interim Management Report (Narrative) include a fair review of the information required by DTR 4.28R being disclosure of related party transactions and changes therein since the last annual report.

By order of the Board

Angus Dodwell
Company Secretary
22 November 2013

Accsys Technologies PLC

Consolidated statement of comprehensive income for the six months ended 30 September 2013

	Note	Unaudited 6 months ended 30 September 2013 €'000	Unaudited 6 months ended 30 September 2012 €'000	Audited Year ended 31 March 2013 €'000
		Total	**Total**	**Total**
Accoya® wood revenue		13,869	7,690	16,555
Licence revenue		525	553	553
Other revenue		1,375	840	1,714
Total revenue	2	15,769	9,083	18,822
Total cost of sales		(12,300)	(7,219)	(15,474)
Gross profit		3,469	1,864	3,348
Other operating costs	3	(6,828)	(7,224)	(13,548)
Loss from operations		(3,359)	(5,360)	(10,200)
Share of joint venture loss	5	(390)	-	(430)
Finance income		79	107	206
Finance expense		(122)	(124)	(244)
Loss before taxation		(3,792)	(5,377)	(10,668)
Tax charge		(340)	(108)	(355)
Loss for the period		(4,132)	(5,485)	(11,023)
(Loss)/gain arising on translation of foreign operations		(32)	17	14
Total comprehensive loss for the period		(4,164)	(5,468)	(11,009)
Basic and diluted loss per ordinary share	4	€(0.01)	€(0.01)	€(0.03)

The notes set out on pages 14 to 20 form part of these condensed financial statements.

Accsys Technologies PLC

Consolidated statement of financial position at 30 September 2013

	Note	Unaudited 6 months ended 30 Sept 2013 €'000	Unaudited 6 months ended 30 Sept 2012 €'000	Audited Year ended 31 March 2013 €'000
Non-current assets				
Intangible assets		8,398	7,814	8,226
Investment in joint venture	5	64	-	62
Property, plant and equipment	6	21,696	24,799	22,271
Deferred tax		422	1,219	866
		30,580	33,832	31,425
Current assets				
Inventories		5,433	3,987	4,860
Trade and other receivables		4,251	3,031	3,688
Cash and cash equivalents		16,937	20,731	20,467
Corporation tax		384	516	623
		27,005	28,265	29,638
Current liabilities				
Trade and other payables		(3,444)	(3,402)	(3,357)
Obligation under finance lease		(264)	(280)	(264)
		(3,708)	(3,682)	(3,621)
Non-current liabilities				
Obligation under finance lease		(1,905)	(1,928)	(1,924)
		(1,905)	(1,928)	(1,924)
Net current assets		23,297	24,583	26,017
Total net assets		51,972	56,487	55,518
Equity and reserves				
Share capital - Ordinary shares	7	4,389	4,091	4,332
Share premium account		128,648	124,941	128,588
Capital redemption reserve		148	148	148
Warrants reserve		235	82	235
Merger reserve		106,707	106,707	106,707
Retained deficit		(188,133)	(179,504)	(184,511)
Own shares		(48)	(39)	(39)
Foreign currency translation reserve		26	61	58
Total equity		51,972	56,487	55,518

The notes set out on pages 14 to 20 form part of these condensed financial statements.

Accsys Technologies PLC

Consolidated statement of changes in equity for the six months ended 30 September 2013

	Share capital Ordinary €'000	Share premium €'000	Capital redempt-ion reserve €'000	Warrant reserve €'000	Merger reserve €'000	Own Shares €'000	Foreign currency trans-lation reserve €'000	Retained earnings €'000	Total €'000
Balance at 30 Sept 2012 (unaudited)	4,091	124,941	148	82	106,707	(39)	61	(179,504)	56,487
income/(expense) for the period	-	-	-	-	-	-	(3)	(5,538)	(5,541)
Expiry of warrants	-	82	-	(82)	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	531	531
Shares issued	241	-	-	-	-	-	-	-	241
Premium on shares issue	-	3,565	-	-	-	-	-	-	3,565
Share Warrants issued	-	-	-	235	-	-	-	-	235
Balance at 31 March 2013	4,332	128,588	148	235	106,707	(39)	58	(184,511)	55,518
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	(32)	(4,132)	(4,164)
Expiry of warrants	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	510	510
Shares issued	57	60	-	-	-	(9)	-	-	108
Premium on shares issue	-	-	-	-	-	-	-	-	-
Share Warrants issued	-	-	-	-	-	-	-	-	-
Balance at 30 Sept 2013 (unaudited)	4,389	128,648	148	235	106,707	(48)	26	(188,133)	51,972

The notes set out on pages 14 to 20 form part of these condensed financial statements.

Own shares represents 4,765,666 issued to an Employee Benefit Trust at nominal value on 9 July 2013.

On 12 August 2013, a total of 497,854 of Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 13 September 2013, a total of 415,332 of Ordinary shares were issued and released to employees together with the 415,332 of Ordinary shares issued to trust on 7 September 2012.

Accsys Technologies PLC

Consolidated statement of cash flow for the six months ended 30 September 2013

	Unaudited 6 months 30 Sept 2013 €'000	Unaudited 6 months 30 Sept 2012 €'000	Audited Year End 31 March 2013 €'000
Profit before taxation	(3,792)	(5,377)	(10,668)
Adjustments for:			
Amortisation of intangible assets	175	145	306
Depreciation of property, plant and equipment	996	967	1,950
Net gain on disposal of property, plant and equipment	-	-	(113)
Recognition of reduction of investment in joint venture	398	-	438
Finance expense	43	17	39
Equity-settled share-based payment expenses	509	396	927
Cash outflows from operating activities before changes in working capital	(1,671)	(3,852)	(7,121)
(Increase)/decrease in trade and other receivables	(567)	549	(12)
Increase in inventories	(572)	(865)	(1,739)
Decrease/(increase) in trade and other payables	144	23	(66)
Net cash absorbed by operating activities before tax	(2,666)	(4,145)	(8,938)
Tax received	344	796	795
Net cash absorbed by operating activities	(2,322)	(3,349)	(8,143)
Cash flows from investing activities			
Interest received	79	107	206
Expenditure on capitalised internal development	(348)	(381)	(861)
Disposal of property, plant and equipment	-	-	1,699
Purchase of property, plant and equipment	(420)	(152)	(293)
Purchase of intangible assets	(23)	-	(44)
Investments in joint ventures	(400)	-	(500)
Net cash absorbed by investing activities	(1,112)	(426)	207
Cashflows from financing activities			
Finance expenses	(19)	(17)	(36)
Interest Paid	(122)	(124)	(244)
Proceeds from issue of share capital	69	62	4,112
Share issue costs	-	-	(15)
Net cash from financing activities	(72)	(79)	3,817
Net decrease in cash and cash equivalents	(3,506)	(3,854)	(4,119)
Effect of exchange differences on restatement of non Euro functional currency	(23)	11	12
Opening cash and cash equivalents	20,466	24,574	24,574
Closing cash and cash equivalents	16,937	20,731	20,467

The notes set out on pages 14 to 20 form part of these interim financial statements.

1. Accounting policies

Basis of accounting

The Group's condensed financial statements in these interim results have been prepared in accordance with International Accounting Standard (IAS) 34 "interim financial reporting" as adopted for use in the European Union. The financial information for the six months ended 30 September 2013 and the six months ended 30 September 2012 is unaudited. The comparative financial information for the full year ended 31 March 2013 does not constitute the group's statutory financial statements for that period although it has been derived from the statutory financial statements for the year then ended. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Changes in accounting policies

No new accounting standards, amendments or interpretations have been adopted in the period which have any impact on these condensed financial statements, or are expected to affect the Group's 2014 Annual Report. The accounting policies and methods of computation are consistent with those applied in the 31 March 2013 annual financial statements.

Going concern

These condensed financial statements are prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date these interim results were 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 achieving 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.

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 activities, the manufacturing and sale of Accoya® and research and development activities.

Result by Segment:	Unaudited 6 months ended 30 Sept 2013 €'000	Unaudited 6 months ended 30 Sept 2012 €'000	Audited Year ended 31 March 2013 €'000
Licensing			
Revenue	525	553	553
Cost of sales	-	-	-
Gross profit/(loss)	525	553	553
Other operating costs	(3,341)	(3,758)	(6,780)
Loss from operations	(2,816)	(3,205)	(6,227)
Loss from Operations	(2,816)	(3,205)	(6,227)
Depreciation and amortsation	207	173	347
EBITDA	(2,609)	(3,032)	(5,880)
Manufacturing			
Revenue	15,244	8,530	18,269
Cost of sales	(12,300)	(7,219)	(15,474)
Gross profit/(loss)	2,944	1,311	2,795
Other operating costs	(2,934)	(2,747)	(5,528)
Profit/(loss) from operations	10	(1,436)	(2,733)
Profit/(loss) from operations	10	(1,436)	(2,733)
Depreciation and amortsation	931	908	1,833
EBITDA	941	(528)	(900)
Research and Development			
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit/(loss)	-	-	-
Other operating costs	(553)	(719)	(1,240)
Loss from operations	(553)	(719)	(1,240)
Loss from Operations	(553)	(719)	(1,240)
Depreciation and amortsation	33	32	76
EBITDA	(520)	(687)	(1,164)
Total			
Revenue	15,769	9,083	18,822
Cost of sales	(12,300)	(7,219)	(15,474)
Gross profit/(loss)	3,469	1,864	3,348
Other operating costs	(6,828)	(7,224)	(13,548)
Loss from operations	(3,359)	(5,360)	(10,200)
Share of joint venture loss	(390)	-	(430)
Finance income	79	107	206
Finance expense	(122)	(124)	(244)
Loss before taxation	(3,792)	(5,377)	(10,668)
Loss from Operations	(3,359)	(5,360)	(10,200)
Share of joint venture loss	(390)	-	(430)
Depreciation and amortsation	1,171	1,113	2,256
EBITDA	(2,578)	(4,247)	(8,374)

Licensing

Revenue is attributable to fees received or receivable in relation to the licensing 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 the costs of the Dallas and Windsor offices, marketing, business development and the majority of the Group's administration costs.

Headcount = 21 (2012: 19)

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 will all other costs associated with the operation of the Arnhem manufacturing site, including directly attributable administration costs.

Headcount = 67 (2012: 61)

Research and Development

Costs are associated with various R&D activities associated with Accoya® products and processes. The costs are reported excluding €348,000 of costs which have been capitalised in accordance with international financial reporting standards. (2011: €381,000).

Headcount = 14 (2012: 14)

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

Analysis of revenue by geographical destination:

	Unaudited 6 months ended 30 Sept 2013 €'000	Unaudited 6 months ended 30 Sept 2012 €'000	Audited Year ended 31 March 2013 €'000
Netherlands	3,839	3,060	6,181
United Kingdom	3,243	1,832	3,531
Ireland	1,713	94	450
USA	1,356	342	1,055
Germany	1,147	845	1,506
Switzerland	1,074	825	1,596
Norway	612	344	763
Belgium	586	349	659
China	518	296	542
France	236	121	200
India	231	180	458
New Zealand	208	142	332
Austria	185	-	-
Canada	159	145	403
Italy	154	155	227
Australia	139	135	418
Czech Republic	102	25	85
Other	267	192	417
	15,769	9,083	18,822

The segmental assets in the current and previous periods were predominantly held in Europe. Additions to property, plant, equipment and intangible assets in the current and previous periods were predominantly incurred in Europe. Sales to Ireland included the sales to Medite which resumed at the end of the previous financial year.

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.

	Unaudited 6 months ended 30 Sept 2013 €'000	Unaudited 6 months ended 30 Sept 2012 €'000	Audited Year ended 31 March 2013 €'000
Sales and marketing	1,391	1,559	2,908
Research and development	553	719	1,240
Depreciation and amortisation	1,171	1,113	2,256
Other operating costs	888	1,069	2,104
Administration costs	2,825	2,764	5,040
	6,828	7,224	13,548

Administrative costs include costs associated with the Human Resources, IT, Finance, Management, General Office, Business Development and Legal departments.

The Group headcount increased from 94 at 30 September 2012 to 97 at 31 March 2013 and then to 102 at 30 September 2013.

During the period €348,000 of development costs were capitalised and are included within intangible fixed assets (2012:€381,000). This includes €169,000 in respect of the Accoya® licence Process Design Package.

4. Loss per share

Basic and diluted loss per share	**Unaudited 6 months ended 30 Sept 2013**	**Unaudited 6 months ended 30 Sept 2012**	**Audited Year ended 31 March 2013**
Weighted average number of Ordinary shares in issue ('000)	435,790	406,310	419,650
Loss for the period (€'000)	(4,132)	(5,485)	(11,023)
Basic and diluted loss per share	€ (0.01)	€ (0.01)	€ (0.03)

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.

5. Share of joint venture losses

On 5 October 2012, Accsys entered into a 50:50 joint venture, Tricoya Technologies Limited ('TTL'), 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.

TTL was granted rights to exploit Accsys' Tricoya® technology and also benefits from a licence of any intellectual property held by INEOS that may assist the joint venture in maximising the value of the Tricoya® proposition. Profits generated by TTL are to be shared between Accsys and INEOS in a way that reflects each party's interest. The contribution of Accsys' Tricoya® intellectual property to the Joint Venture will be reflected through a disproportionate future profit share which will create significant value for Accsys.

TTL has been accounted in the Accsys Group accounts using the equity method. The TTL results for the period from 1 April 2013 to 30 September 2013, together with the balance sheet as at 30 September 2013 are set out below:

Income statement for TTL joint venture:

	Unaudited 6 months ended 30 Sept 2013 €'000	**Unaudited 6 months ended 30 Sept 2012 €'000**	**Audited Year ended 31 March 2013 €'000**
Revenue	100	-	-
Costs:			
Staff costs	610	-	590
Research & development (excluding staff costs)	111	-	163
Intellectual Property	79	-	76
Sales & marketing	80	-	31
Total operating costs	880	-	860
Joint venture loss	780	-	860
Group share of joint venture loss	390	-	430

Tricoya Technologies Limited statement of financial position at 30 September 2013:

	Unaudited 6 months ended 30 Sept 2013 €'000	Unaudited 6 months ended 30 Sept 2012 €'000	Audited Year ended 31 March 2013 €'000
Non-current assets			
Intangible assets	415	-	93
Current assets			
Receivables due within one year	93	-	89
Cash and cash equivalents	465	-	324
Total current assets	558	-	413
Current liabilities			
Trade and other payables	(814)	-	(366)
Net current assets	(256)	-	47
Net assets	159	-	140
50% attributable to Accsys Technologies	79	-	70
Less elimination of mark-up on recharged costs	(15)	-	(8)

Intangible assets represents internal development costs capitalised relating to the development of the Tricoya product and production process, including the production of the first process design package which will applied to the licence agreement with Medite.

6. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2012	6,880	26,959	612	34,451
Additions	-	120	32	152
Foreign currency translation gain/(loss)	-	-	-	-
At 30 September 2012	6,880	27,079	644	34,603
Additions	-	131	9	140
Disposals	(1,672)	(20)	-	(1,692)
Foreign currency translation gain/(loss)	-	-	3	3
At 31 March 2013	5,208	27,190	656	33,054
Additions	27	326	61	414
Disposals	-	-	-	-
Foreign currency translation gain/(loss)	-	-	-	-
At 30 September 2013	5,235	27,516	717	33,468
Depreciation				
At 31 March 2012	75	8,293	469	8,837
Charge for the period	56	876	35	967
Foreign currency translation gain/(loss)	-	-	-	-
At 30 September 2012	131	9,169	504	9,804
Charge for the period	61	895	26	982
Disposals	-	(7)	-	(7)
Foreign currency translation gain/(loss)	-	-	4	4
At 31 March 2013	192	10,057	534	10,783
Charge for the period	58	888	43	989
Disposals	-	-	-	-
Foreign currency translation gain/(loss)	-	-	-	-
At 30 September 2013	250	10,945	577	11,772
Net book value				
At 31 March 2012	6,805	18,666	143	25,614
At 30 September 2012	6,749	17,910	140	24,799
At 31 March 2013	5,016	17,133	122	22,271
At 30 September 2013	4,985	16,571	140	21,696

7. Share capital

On 6 July 2012, the Company issued 3,926,666 Ordinary shares to an Employee Benefit Trust at nominal value.

On 8 August 2012, the Company issued 783,283 new Ordinary shares in respect of the vesting of matching shares held in the Employee share scheme under which 28 employees subscribed in August 2011.

On 7 September 2012, a total of 415,332 of Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 19 October 2012, a total of 23,529,412 of Ordinary shares were issued to INEOS following the receipt of subscription monies totalling €4,000,000.

On 18 January 2013, a total of 369,423 of Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 23 January 2013, a total of 130,831 of Ordinary shares were issued and released to employees together with the 130,831 of Ordinary shares issued to trust on 23 January 2012.

On 9 July 2013, a total of 4,765,666 of Ordinary shares were issued to an Employee Benefit Trust at nominal value.

On 12 August 2013, a total of 497,854 of Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 13 September 2013, a total of 415,332 of Ordinary shares were issued and released to employees together with the 415,332 of Ordinary shares issued to trust on 7 September 2012.

8. Related party transactions

In the period ended 30 September 2013, 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 €518,000 (2012: Nil). At the end of the period €253,000 of the total amount was payable from TTL to Accsys group companies (2012: Nil). There were no related party transactions in the year ended 31 March 2012.

9. Other matters

On 16 August 2013 Accsys announced it had terminated its licence agreement with Diamond Wood China Limited ('Diamond Wood').

Accsys entered a licence agreement with Diamond Wood in 2007 which was subsequently amended and superseded on various occasions, the last being in August 2010. Under the terms of the licence agreement, Diamond Wood was granted exclusive rights to construct and then run an Accoya acetylation plant in China and parts of South East Asia. However as the Company has previously reported, Diamond Wood failed to make progress in this respect despite the significant amount of support and work carried out by Accsys since 2007.

Following legal advice, notice of termination of the licence agreement was served by Accsys in August 2013, in accordance with Accsys' contractual and legal rights, as a result of Diamond Wood's failure to comply with its contractual obligations (the "Termination").

On 17 September 2013 a notice of arbitration was served by Diamond Wood in which it indicates it is seeking confirmation that the licence agreement is still in force and seeking damages for the losses it has suffered from the Termination. Accsys is fully engaging in the arbitration process and welcomes the opportunity it will provide to ask the arbitrators to confirm the validity of Accsys' Termination.

Following robust legal advice firmly supporting Accsys' Termination, Accsys remains extremely confident that the arbitration will be resolved in its favour. Accordingly no provision has been booked in respect of the potential amounts which could become due should Accsys not be successful in the arbitration process.

Whilst further details of the arbitration are subject to confidentiality, Accsys will provide a further update once the matter has been concluded.

Accsys Technologies PLC

Independent review report to Accsys Technologies PLC

Introduction

We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 September 2013, which comprises the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity and the interim statement of cash flow and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM and Euronext Amsterdam by NYSE Euronext Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM and Euronext Amsterdam by NYSE Euronext Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the half year ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union, the AIM and Euronext Amsterdam by NYSE Euronext Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
London

22 November 2013

Notes:

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

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