Regulatory Announcement

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World leaders in wood technology

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

Accsys, the chemical technology group, focused on the acetylation of wood, today announces interim results for the consolidated group for the six months ended 30 September 2015.

	Unaudited six months ended 30 Sept 2015	**Unaudited six months ended 30 Sept 2014**	**Change**
Total Group Revenue	€26.3m	€21.8m	+21%
Gross Profit	€9.4m	€5.0m	+88%
Underlying EBITDA*	€1.3m	€(1.9m)	Improved168%
Underlying loss before tax*	€(0.1m)	€(3.1m)	Improved97%
Loss before tax	€(0.1m)	€(6.2m)	Improved98%
Period end cash balance	€7.5m	€13.5m	

*Underlying EBITDA and loss before tax are stated before exceptional items of €nil (2014: €3.1m) recorded in respect of arbitration relating to the Diamond Wood licence agreement.

Highlights

- Improved manufacturing margin together with an increase in revenue attributable to licensing and business development activities resulted in first positive EBITDA since restructuring in 2010;
- Continued trend of revenue growth in the period, with revenue increasing by 21% to €26.3m;
- Manufacturing segment profitability continues to improve, recording EBITDA of €5.0m (2014: €3.1m) as a result of higher prices and improved efficiency; gross manufacturing profit margin increased from 23% to 30%;
- Strong balance sheet maintained with cash balance of €7.5m at 30 September 2015;
- Cash in-flow from operating activities (before changes in working capital) of €1.8m (2014: out-flow of €0.7m excluding exceptional items) as a result of improvement in profitability;
- New agreement with Solvay signed since period end, for licencing, marketing and manufacturing of Accoya, including fees and funding to allow expansion of Accsys manufacturing capacity;
- Agreed minimum 76,000m^3 off-take commitment from Solvay over next five years; and
- Proposed Tricoya consortium negotiations have progressed, with detailed engineering and site feasibility studies undertaken.

Paul Clegg, Chief Executive commented: "Our latest set of results confirms that our manufacturing process generates increasing returns, giving us greater confidence to progress with our objective of ensuring we maintain a share in new manufacturing capacity. Not only have we seen a significant improvement in profitability in the period, but a number of important strategic steps have been taken in respect of the proposed formation of the new Tricoya consortium and the relationship with Solvay, enabling us to ensure that the ever-increasing demand for our products can be met in the future."

There will be a presentation relating to these results at 10:00 GMT on 30 November 2015. 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://edge.media-server.com/m/p/hnvu5v7y

Conference call details for participants:

Participant Telephone Number: +44 (0)20 3427 1906 UK Toll
Confirmation Code: 4840247

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

For further information, please contact:

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Overview

It is encouraging to be presenting the first set of results that are EBITDA positive since our restructuring in 2010. Accsys continues to make incremental improvements in manufacturing profitability which has been achieved through margin management. We are also seeing significant strategic developments as we exploit the opportunity that exists for our products and technologies.

Revenue increased by 21% to €26.3m in the period reflecting increased prices and an increase in revenue attributable to our licencing and business development activities. Sales volumes were relatively flat as some distributors managed their inventories following price increases that we implemented to improve our profitability and to help manage our capacity utilisation. The increase in prices contributed to the significant improvement in profitability giving rise to a positive EBITDA of €1.3m (2014: €1.9m loss).

Improved prices and an on-going focus on operating efficiencies resulted in an improvement in gross manufacturing profit margin which increased from 23% to 30% and with manufacturing segment EBITDA increasing by 62% to €5.0m. The manufacturing profitability continues to indicate the returns which we believe are achievable when producing greater volumes.

Our balance sheet remains strong, with a cash balance of €7.5m as at 30 September 2015 (€10.8m as at 31 March 2015). Underlying cash flows from operating activities before changes in working capital improved from a €0.7m out-flow to a €1.8m in-flow with the decrease in cash in the period attributable to an increase in working capital of €3.1m. This included a notable build-up of inventories ahead of our scheduled annual maintenance stop in October such that we expect cash-flow to benefit from a reduction in working capital in the second half of the financial year.

We recently announced a new agreement with Solvay Acetow Gmbh ("Solvay"), to refine the relationship between the two parties for the licensing, marketing and manufacturing of Accoya®. This new agreement provides the framework and funding for a significant increase in the manufacturing capacity at our plant in Arnhem.

The enhanced relationship with Solvay will benefit both parties, with the increased manufacturing capacity and resulting sales expected to be achieved for Accoya in a faster timescale than would otherwise have been possible.

A combination of loans and fees from Solvay, in addition to those due under a new offtake commitment, will fund the majority of the initial increase in manufacturing capacity at Arnhem, with the balance to be met by Accsys' own resources, including the possible sale and leaseback of land at Arnhem.

Following the acquisition of the remaining 50% in Tricoya Technologies Limited ('TTL') in March 2015, and the agreement of a Memorandum of Understanding with a large international chemical group (the 'Chemical Group') we have continued to progress towards the creation of a new consortium to fund, build and operate the world's first Tricoya® acetylation plant. In addition to detailed negotiations with the proposed consortium partners, which also include Medite, we have completed the Front End Engineering and Design ('FEED') study necessary to progress to the construction stage. Detailed discussions continue between the parties with an intention of finalising the consortium ahead of the plant becoming operational by 2018 however further work is expected to be jointly funded before final consortium agreements are put in place.

Outlook

The progress made with our key partners and the improvement in profitability represent significant developments for the Company as we continue towards our ambition of maximising the value associated with our technologies.

In the immediate term we will continue to carefully manage the increasing demand for Accoya prior to additional capacity coming on stream in 2017, such that we expect revenue to continue to grow but at a smaller rate than that recorded in previous financial years.

The new agreement with Solvay is particularly exciting and marks a significant step in the evolution of Accsys. It will enable us to significantly increase manufacturing capacity and to continue to develop markets on a global scale, whilst allowing us to take advantage of new opportunities and generate substantial group profits as production is ramped up.

I am pleased with the progress being made in forming the proposed new Tricoya consortium and I am hopeful that the progress and efforts made by all of the proposed consortium partners will culminate in the new plant, further increasing manufacturing profits for the benefit of Accsys shareholders.

Overall, I remain confident that we are in a strong position to continue our transition into a sustainable and profitable group focussed on commercialising our technologies through a balance of our own manufacturing capability and ongoing cooperation with strong industry partners.

Patrick Shanley
Chairman
27 November 2015

Introduction

Accsys had a very positive period with important steps achieved in respect of our longer term objective of increasing manufacturing capacity together with a substantial improvement in profitability. An 88% increase in gross profit to €9.4m represented an increase in the gross margin from 23% to 36%, resulting from Accoya® price increases and higher revenues attributable to our licencing and business development activities. The increased profitability of our manufacturing plant resulted in the ROCE for the manufacturing plant improving from 9% to 25% when compared to the comparative period last year. We continue to invest with €1.9m (2014: €1.4m) of costs capitalised in respect of process and product development and improvements to our plant, in addition to our on-going investment in sales, marketing and business development activities.

Progress with Accoya® manufacturing and sales

The success of Accoya® in the market place together with the increase in demand has enabled us to focus on our existing distribution network and markets. This was evident in September when we held our highly successful, fifth, Worldwide Accoya® wood sales conference in the Netherlands. The three day conference involved 160 participants from 30 countries including 86 from our existing or potential distributors and trade partners.

Revenue from the sale of Accoya® increased by 11% to €21.9m in the first half of the year compared to the same period in the previous year. Growth in the period was primarily attributable to a price increase implemented in the second half of the previous financial year with overall sales volumes of 16,821m^3 representing a small increase compared to the previous six months.

Demand for Accoya has remained strong overall, however we have sought to manage demand in order to optimise our manufacturing capacity. Demand in the UK remains very strong and the Benelux economies and our customers there are now experiencing an increase in activity following a prolonged period of downturn in the construction industry in which some of our customers were particularly impacted. Solvay's region, covering key states within Europe, has performed well despite uncertainty in underlying markets. We have recently added experienced sales staff to our North American team and we expect sales in this substantial market to increase as we seek to develop longer term growth opportunities. Sales to our customers in the Asia-Pacific region have also grown strongly, however sales to our licencee, Diamond Wood, remain low following the resumption of their sales responsibilities in the second half of the previous financial year.

We now have a total of 58 distribution or agency agreements covering most of Europe, Australia, Chile, China, India, Israel, Japan, Morocco, New Zealand, North America, South Africa and parts of South-East Asia.

The increase in prices, together with increased efficiency arising from our on-going focus on optimising our process, resulted in a significant improvement in manufacturing profitability. Gross manufacturing margin increased from 23% to 30% with manufacturing EBITDA improving by 62% to €5.0m. Profitability also improved as a result of the economies of scale associated with a record 18,552m^3 produced in the six month period being an 13% increase compared to the same period last year.

The manufacturing segment's profitability helps demonstrate the potential returns achievable from manufacturing Accoya® on a larger scale. This is particularly the case when taking account of the economies of scale expected from operating a larger plant and when considering that our profitability has been impacted by significant volumes (approximately 18% of total Accoya® volume in the period (2014: 18%)) sold to Medite at lower prices, reflecting the on-going Tricoya market development activities.

We continue to invest in research and development including new species and end product applications development and certification. During the period we have made progress in respect of the production and sale of Accoya® from new species for projects ranging in size as we seek to supplement radiata pine raw wood. We have seen the conclusion of a 20 year field trial of acetylated wood in water, used for canal lining, further validating the Accoya® 25 year warranty in this application. In addition new certifications include FCBA Control Convention status which provides official qualification of Accoya's performance characteristics in France and the ICC ESR which demonstrates compliance of Accoya with the US Building Code for decking and porches.

Solvay and new manufacturing capacity in Arnhem

We recently announced details of a new agreement with Solvay Acetow Gmbh ("Solvay"), to refine the relationship between the two parties for the licensing, marketing and manufacturing of Accoya®. This new agreement provides the framework and funding for a significant increase in the manufacturing capacity in Arnhem.

Solvay will purchase a minimum 76,000m^3 of Accoya from the Arnhem plant over the period from 2016 to 2020 (the "offtake commitment") and as a result of the increased manufacturing capacity in Arnhem and consequent greater sales capacity, under the new agreement Solvay will review the optimal timing to construct its 63,000 m^3 Accoya manufacturing plant.

The enhanced relationship with Solvay will benefit both parties, with the increased manufacturing capacity and resulting sales expected to be achieved for Accoya in a faster timescale than would otherwise have been possible.

Accsys will double the existing manufacturing capacity at its Arnhem site in stages, up to 80,000m^3 per annum from 40,000m^3. The initial incremental 20,000m^3 capacity is expected to come on stream in mid-2017.

The licence agreement covering Europe has been amended to provide increased royalties to Accsys and the return to Accsys of the selling rights for more than 20 European countries.

Accsys will provide sales and marketing services to Solvay on agreed terms in respect of Solvay's exclusive European territories.

A combination of loans and fees from Solvay, in addition to those due under the offtake commitment, will fund the majority of the initial increase in manufacturing capacity at Arnhem, with the balance to be met by Accsys' own resources, including the possible sale and leaseback of land at Arnhem.

These agreements allow the market development of Accoya to continue and optimise the roll out of manufacturing capacity under its partnering program with Solvay, increasing the certainty of supply for Accoya customers and users. It also enables Accsys to continue to develop global markets effectively, building on the expertise that it has developed over the last few years.

Tricoya® Technologies Limited ('TTL')

In March 2015 we announced our intention to form a consortium to fund, construct and then operate the world's first Tricoya® chip acetylation plant, following Accsys's acquisition of the remaining 50% share in TTL from our former joint venture partner, Ineos.

Since then, we have progressed detailed discussions with the proposed consortium partners, being the Chemical Group, with whom we signed a Memorandum of Understanding (MoU) in March 2015, and Medite, TTL's joint development partner since 2009. A site feasibility study has been undertaken to determine that the proposed plant can be located on one of the Chemical Group's existing production sites, which is expected to provide significant operational and construction benefits to the consortium.

TTL engaged an engineering house to complete the Front End Engineering and Design study which will enable the next stage of detailed design and construction to commence, immediately after the consortium is formally put in place.

During this period, Medite Tricoya® has continued to be manufactured using Accoya sold by Accsys to Medite using a temporary process, pending construction of the dedicated Tricoya plant. However this has enabled sales of Medite Tricoya to grow, with sales volumes of Medite Tricoya panels increasing by 14% in the calendar year to October.

Masisa, TTL's licence option holder in Latin America, has also continued to progress its market development activities, with Masisa Tricoya XB being specified in an increasing number of projects.

Intellectual property

Accsys has considerably increased its number of patent applications in the recent period by expanding its patent families to 22, including those relating to Tricoya®. Applications filed now number 191, filed in 43 countries. To date 42 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.

Outlook

We are pleased to be able to cement our relationship with Solvay to expand our Accoya manufacturing capacity and Solvay's commitment to purchase significant volumes from Accsys over the coming years. This is an exciting step in the development of our business and is further evidence of the execution of our strategy to maximise returns from our technology platform and our innovative products.

The proposed consortium with the Chemical Group and Medite, for the funding, construction and operation of the first Tricoya® chip acetylation plant is progressing well and I remain confident that Tricoya® remains a substantial and exciting opportunity for us.

Both developments represent a way for Accsys to participate directly in the manufacture of higher volumes of our products than we have previously envisaged. I believe this model, where we seek to obtain a greater share of manufacturing margins while continuing to work with strong industry partners through licensing and joint venture activities puts us in a strong position to be able to grow shareholder value.

In the immediate future, we will continue to carefully manage operations to ensure optimal management of our existing manufacturing capacity, working capital and costs such that we maintain sufficient resources to meet the demands of the next exciting period of our development.

Paul Clegg
Chief Executive
27 November 2015

Statement of comprehensive income

Group revenue increased by 21% to €26.3m for the six months ended 30 September 2015 (2014: €21.8m). Manufacturing revenue increased by 11% to €24.1m, with revenue from Accoya® increasing by 11% to €21.9m, largely as a result of increased prices. Included in this is revenue attributable to Medite for the manufacture of Tricoya®, which increased by 18% to €2.8m (2014: €2.4m). Revenue attributable to licensing and business development was €2.2m (2014: €nil). This included €1.6m of income from Solvay, our Accoya licensee, €1.3m of which was attributable to the previously disclosed Global Marketing agreement, which was conditional upon reaching further agreements associated with the Binding Term sheet signed in August 2014, but which expired in the period ahead of the new agreement reached with Solvay in November 2015. €0.5m of income was recorded in respect of the monies received attributable to the Tricoya® project.

Gross margin increased from 23% to 36% compared to the same period in the previous year. This was driven by a significant improvement in the gross manufacturing margin which increased from 23% to 30%, and further improved by income attributable to licensing and business development as noted above.

Other operating costs, before exceptional items, increased from €7.6m to €9.4m. €0.9m of the increase is attributable to costs associated with TTL being fully consolidated in the period, compared to the equivalent period in the previous year when TTL was equity accounted resulting in a share of joint venture loss of €0.5m. The remainder of the increase is due to higher sales and marketing costs, which increased by €0.2m to €1.8m reflecting our ongoing investment in expected long term growth in sales of Accoya. In addition there was an increase in staff costs of €0.4m due to inflationary wage increases, the weakening of the Euro and an increase in headcount. A further €0.2m increase relates to a currency exchange impact due to the weakening of the Euro, with some of our costs paid in Sterling and US Dollars.

Research and development costs increased from €0.5m to €0.8m as a result of activities being carried out which were previously carried out by TTL.

Exceptional costs of €3.1m included in the prior period relate to the Diamond Wood arbitration process. The balance included a provision for €2.4m in respect of Diamond Wood's costs of €2.1m and the award for damages of €0.3m, both of which were payable to Diamond Wood in the second half of the financial year ended 31 March 2015.

The share of joint venture loss of €0.5m was recorded in the previous financial year, however with TTL fully consolidated in the group results during the six months ended 30 September 2015, there was no corresponding balance recorded in the recent period with 100% of the costs recorded within Other operating costs. Full details of TTL's results have been included in note 6.

Group average headcount increased from 110 in the period to 30 September 2014, to 111 in the period to 31 March 2015 and 119 in the period to 30 September 2015, with the increase predominantly in production staff (with costs included in cost of sales).

The decrease in the loss before tax before exceptional items by 97% to €0.1m (2014: €3.1m) can largely be attributed to the improvement in revenue and gross margin. After exceptional items, loss before tax decreased by 98% to €0.1m (2014: €6.2m).

The tax charge of €0.2m (2014: €0.5m) is based on our expected tax rate for the year and is attributable to the profits arising from manufacturing operations, offset by expected research and development tax credits.

Cash flow and financial position

At 30 September 2015, the Group held cash balances of €7.5m, representing a €3.3m reduction compared to 31 March 2015. The reduction in cash in the period is attributable to an increase in working capital of €3.1m, investment in tangible and intangible fixed assets of €1.9m and offset by cash-flows from operating activities of €1.8m.

Cash in-flow from operating activities before changes in working capital of €1.8m represents a significant improvement compared to €0.7m cash out-flow (excluding exceptional items) in the equivalent period in the previous year, reflecting the underlying improvement in profitability of the Group. The increase in working capital included a build-up of inventories ahead of our scheduled annual maintenance stop in October such that we expect cash-flow to benefit in a reduction in working capital in the second half of the financial year.

Investment in tangible fixed assets of €0.7m (2014: €0.5m) included equipment subsequently installed in the maintenance stop in October which is expected to result in improved efficiency and reliability of the plant. €1.2m of capitalised internal development costs (2014: €0.1m) included €1.0m in respect of the Tricoya Front End Engineering and Design package.

Trade and other receivables decreased to €4.3m (2014: €6.4m) as a result of improved collection from customers and lower sales in September compared to last year. Inventory increased to €10.3m (2014: €6.5m) as a result of a build-up of inventory ahead of our scheduled maintenance stop in October (last year the maintenance stop took place in September), the planned increase in sales in the second half of the financial year and the overstocking of certain items which are expected to be utilised in the second half of the year.

The decrease in trade and other payables to €8.1m (2014: 9.8m) included the recognition of income associated with licensing activities as described above.

Risks and uncertainties

The Group's principal risks and uncertainties are unchanged from those set out in its 2015 Annual Report.

Going concern

These condensed consolidated 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 basis on which to prepare the financial statements.

William Rudge
Finance Director
27 November 2015

Directors responsibility statement

The Directors confirm to the best of their knowledge:

- The condensed consolidated 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
27 November 2015

Accsys Technologies PLC

Consolidated interim statement of comprehensive income for the six months ended 30 September 2015

	Note	**Unaudited 6 months ended 30 Sept 2015 €'000**	Unaudited 6 months ended 30 Sept 2014 €'000	Unaudited 6 months ended 30 Sept 2014 €'000	Unaudited 6 months ended 30 Sept 2014 €'000	Audited Year ended 31 March 2015 €'000	Audited Year ended 31 March 2015 €'000	Audited Year ended 31 March 2015 €'000
		Total	Before exceptional items	Exceptional items (note 4)	Total	Before exceptional items	Exceptional items (note 4)	Total
Accoya® wood revenue		**21,862**	19,777	-	19,777	40,661	-	40,661
Licence revenue		**328**	-	-	-	389	-	389
Other revenue		**4,104**	2,009	-	2,009	5,027	-	5,027
Total revenue	2	**26,294**	21,786	-	21,786	46,077	-	46,077
Total cost of sales		**(16,916)**	(16,768)	-	(16,768)	(33,842)	-	(33,842)
Gross profit		**9,378**	5,018	-	5,018	12,235	-	12,235
Other operating costs	3	**(9,389)**	(7,645)	(3,080)	(10,725)	(15,985)	(2,937)	(18,922)
Loss from operations		**(11)**	(2,627)	(3,080)	(5,707)	(3,750)	(2,937)	(6,687)
Share of joint venture loss	6	**-**	(465)	-	(465)	(1,098)	-	(1,098)
Gain on acquisition of subsidiary		**-**	-	-	-	-	267	267
Finance income		**17**	57	-	57	73	-	73
Finance expense		**(98)**	(112)	-	(112)	(208)	-	(208)
Loss before taxation		**(92)**	(3,147)	(3,080)	(6,227)	(4,983)	(2,670)	(7,653)
Tax charge		**(240)**	(475)	-	(475)	(607)	-	(607)
Loss for the period		**(332)**	(3,622)	(3,080)	(6,702)	(5,590)	(2,670)	(8,260)
Gain arising on translation of foreign operations		**33**	21	-	21	158	-	158
Total comprehensive loss for the period		**(299)**	(3,601)	(3,080)	(6,681)	(5,432)	(2,670)	(8,102)
Basic and diluted loss per ordinary share	5	€(0.00)	€(0.04)		€(0.08)	€(0.06)		€(0.09)

The notes set out on pages 15 to 21 form an integral part of these condensed financial statements.

Accsys Technologies PLC

Consolidated interim statement of financial position at 30 September 2015

	Note	Unaudited 6 months ended 30 Sept 2015 €'000	Unaudited 6 months ended 30 Sept 2014 €'000	Audited Year ended 31 March 2015 €'000
Non-current assets				
Intangible assets		10,965	8,284	10,014
Investment in joint venture	6	-	710	-
Property, plant and equipment	7	19,201	20,151	19,548
		30,166	29,145	29,562
Current assets				
Inventories		10,272	6,545	7,894
Trade and other receivables		4,267	6,370	4,998
Cash and cash equivalents		7,501	13,516	10,786
Corporation tax		496	284	388
		22,536	26,715	24,066
Current liabilities				
Trade and other payables		(8,134)	(9,822)	(9,625)
Short term borrowings		-	(1,484)	-
Obligation under finance lease		(264)	(264)	(264)
Corporation tax		(1,159)	(548)	(812)
		(9,557)	(12,118)	(10,701)
Non-current liabilities				
Obligation under finance lease		(1,760)	(1,843)	(1,799)
		(1,760)	(1,843)	(1,799)
Net current assets		12,979	14,597	13,365
Total net assets		41,385	41,899	41,128
Equity and reserves				
Share capital - Ordinary shares	8	4,489	4,436	4,440
Share premium account		128,779	128,677	128,714
Capital redemption reserve		148	148	148
Warrants reserve		-	235	-
Merger reserve		106,707	106,707	106,707
Retained deficit		(198,839)	(198,309)	(199,022)
Own shares		(46)	(38)	(39)
Foreign currency translation reserve		147	43	180
Total equity		41,385	41,899	41,128

The notes set out on pages 15 to 21 form an integral part of these condensed financial statements.

Accsys Technologies PLC

Consolidated interim statement of changes in equity for the six months ended 30 September 2015

	Note	Share capital Ordinary	Share premium	Capital redemption reserve	Warrant reserve	Merger reserve	Own Shares	Foreign currency translation reserve	Retained earnings	Total
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 30 Sept 2014 (unaudited)		4,436	128,677	148	235	106,707	(38)	43	(198,309)	41,899
Total comprehensive income/(expense) for the period		-	-	-	-	-	-	137	(1,558)	(1,421)
Expiry of warrants		-	-	-	(235)	-	-	-	235	-
Share based payments		-	-	-	-	-	-	-	610	610
Shares issued	8	4	37	-	-	-	(0)	-	-	40
Balance at 31 March 2015		4,440	128,714	148	-	106,707	(39)	180	(199,022)	41,128
Total comprehensive expense for the period		-	-	-	-	-	-	(33)	(332)	(365)
Share based payments		-	-	-	-	-	-	-	515	515
Shares issued	8	49	65	-	-	-	(7)	-	-	107
Balance at 30 Sept 2015 (unaudited)		4,489	128,779	148	-	106,707	(46)	147	(198,839)	41,385

The notes set out on pages 15 to 21 form an integral part of these condensed financial statements.

Accsys Technologies PLC

Consolidated interim statement of cash flow for the six months ended 30 September 2015

	Unaudited 6 months 30 Sept 2015 €'000	Unaudited 6 months 30 Sept 2014 €'000	Audited Year End 31 March 2015 €'000
Profit before taxation	(92)	(6,227)	(7,653)
Adjustments for:			
Amortisation of intangible assets	254	177	375
Depreciation of property, plant and equipment	1,075	1,042	2,100
Net (gain) on disposal of property, plant and equipment	(3)	-	-
Recognition of reduction of investment in joint venture	-	530	1,172
Net Finance expense	82	55	135
Provisions not yet settled	-	2,360	-
Equity-settled share-based payment expenses	515	616	1,226
Gain on acquisition of subsidiary	-	-	(267)
Cash outflows from operating activities before changes in working capital	1,831	(1,447)	(2,912)
Decrease/(Increase) in trade and other receivables	609	(2,374)	(1,566)
(Decrease)/Increase in deferred income	(1,586)	1,508	1,556
Increase in inventories/(decrease)	(2,379)	(433)	(1,860)
Increase in trade and other payables	203	832	909
Net cash absorbed by operating activities before tax*	(1,322)	(1,914)	(3,873)
Tax (paid)/received	(2)	235	263
Net cash absorbed by operating activities	(1,324)	(1,679)	(3,610)
Cash flows from investing activities			
Interest received	17	57	70
Purchase of available for sale investments			
Expenditure on capitalised internal development	(1,206)	(128)	(201)
Disposal of property, plant and equipment	2	-	-
Purchase of property, plant and equipment	(728)	(452)	(907)
Investments in joint ventures	-	(900)	(1,000)
Cash generated in acquisition of subsidiary, net of consideration	-	-	1,338
Net cash absorbed by investing activities	(1,915)	(1,423)	(700)
Cashflows from financing activities			
Finance expenses	(39)	(28)	(72)
Interest Paid	(98)	(123)	(208)
Proceeds from issue of share capital	107	83	123
Short term borrowings	-	1,484	-
Net cash from financing activities	(30)	1,416	(157)
Net decrease in cash and cash equivalents	(3,269)	(1,686)	(4,467)
Effect of exchange differences on restatement of non Euro functional currency	(16)	17	68
Opening cash and cash equivalents	10,786	15,185	15,185
Closing cash and cash equivalents	7,501	13,516	10,786

* Included within cash outflows from operating activities before changes in working capital is €nil in respect of Exceptional costs (Six months ended September 2014: €796,000; Year ended 31 March 2015 €3,159,000)

The notes set out on pages 15 to 21 form an integral part of these interim financial statements.

1. Accounting policies

General Information

The principal activity of the Group is the production and sale of Accoya® solid wood and exploitation 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., 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.

The company is a public limited company, which is listed on AIM in the United Kingdom and Euronext in the Netherlands, and is domiciled in the United Kingdom. The registered office is Royal Albert House, Sheet Street, Windsor, Berkshire, SL4 1BE.

The condensed consolidated interim financial statements were approved on 27 November 2015.

These condensed consolidated interim financial statements have been reviewed, not audited.

Basis of accounting

The Group's condensed financial statements in these interim results have been prepared in accordance with IFRS as adopted by the European Union, in particular International Accounting Standard (IAS) 34 "interim financial reporting". The financial information for the six months ended 30 September 2015 and the six months ended 30 September 2014 is unaudited. The comparative financial information for the full year ended 31 March 2015 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 and which were approved by the Board of Directors on the 15 June 2015. 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.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2015.

The accounting policies adopted are consistent with those of the previous financial year except for taxes on income in the interim periods which are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

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 2016 Annual Report other than as noted below. The accounting policies and methods of computation are consistent with those applied in the 31 March 2015 annual financial statements.

Going concern

These condensed consolidated 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.

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 2015 €'000**	**Unaudited 6 months ended 30 Sept 2014 €'000**	**Audited Year ended 31 March 2015 €'000**
	Licensing, management and business development		
Revenue	2,205	-	1,051
Cost of sales	-	-	-
Gross profit/(loss)	2,205	-	1,051
Other operating costs	(5,420)	(4,248)	(8,527)
Exceptional Items	-	(3,080)	(2,937)
Other operating costs	(5,420)	(7,328)	(11,464)
Loss from operations	(3,215)	(7,328)	(10,413)
Loss from Operations	(3,215)	(7,328)	(10,413)
Depreciation and amortisation	281	204	430
EBITDA	(2,934)	(7,124)	(9,983)
	Manufacturing		
Revenue	24,089	21,786	45,026
Cost of sales	(16,916)	(16,768)	(33,842)
Gross profit/(loss)	7,173	5,018	11,184
Other operating costs	(3,205)	(2,936)	(6,253)
Profit/(loss) from operations	3,968	2,082	4,931
Profit/(loss) from operations	3,968	2,082	4,931
Depreciation and amortisation	1,022	994	2,004
EBITDA	4,990	3,076	6,935
	Research and development		
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit/(loss)	-	-	-
Other operating costs	(764)	(461)	(1,205)
Loss from operations	(764)	(461)	(1,205)
Loss from Operations	(764)	(461)	(1,205)
Depreciation and amortisation	23	20	41
EBITDA	(741)	(441)	(1,164)
	Total		
Revenue	26,294	21,786	46,077
Cost of sales	(16,916)	(16,768)	(33,842)
Gross profit/(loss)	9,378	5,018	12,235
Other operating costs	(9,389)	(7,645)	(15,985)
Exceptional Items	-	(3,080)	(2,937)
Other operating costs	(9,389)	(10,725)	(18,922)
Loss from operations	(11)	(5,707)	(6,687)
Share of joint venture loss	-	(465)	(1,098)
Finance income	17	57	73
Finance expense	(98)	(112)	(208)
Exceptional gain on acquisition of subsidiary	-	-	267
Loss before taxation	(92)	(6,227)	(7,653)
Loss from Operations	(10)	(5,707)	(6,687)
Share of joint venture loss	-	(465)	(1,098)
Depreciation and amortisation	1,326	1,218	2,475
EBITDA	1,315	(4,954)	(5,310)
EBITDA (before exceptional items)	1,315	(1,874)	(2,372)

Revenue is attributable to fees received or receivable in relation to the licensing of the Group's technology to third parties and other monies received in respect of its business development activities.

Other operating costs include all remaining costs unless they are directly attributable to Manufacturing or Research and Development. This includes marketing, business development and the majority of the Group's administration costs including the head office in Windsor as well as the US office. In the current period, results include those associated with Tricoya which were previously reported separately as share of joint venture loss prior to 31 March 2015 (see note 6). Headcount = 22 (2014: 21)

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 = 84 (2014: 76)

Costs are associated with various R&D activities associated with Accoya® products and processes.

Headcount = 13 (2014: 13)

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 2015	**Unaudited 6 months ended 30 Sept 2014**	**Audited Year ended 31 March 2015**
	€'000	**€'000**	**€'000**
UK and Ireland	9,571	9,021	17,760
Benelux	3,904	4,131	8,431
Rest of Europe	7,868	5,636	10,704
Americas	2,449	1,656	5,522
Asia-Pacific	2,345	1,342	3,151
Rest of World	157	-	509
	26,294	21,786	46,077

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 UK and Ireland included the sales to Medite.

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 2015	**Unaudited 6 months ended 30 Sept 2014**	**Audited Year ended 31 March 2015**
	€'000	**€'000**	**€'000**
Sales and marketing	1,805	1,575	3,191
Research and development	764	461	1,205
Depreciation and amortisation	1,326	1,218	2,475
Other operating costs	2,097	1,480	2,395
Administration costs	3,397	2,911	6,719
Exceptional costs	-	3,080	2,937
	9,389	10,725	18,922

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

The total cost of €9.4m in the current period includes €0.9m in respect of Tricoya Technologies Limited ('TTL'). The costs associated with TTL were separately recorded within share of joint venture loss in the previous periods.

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

The Group headcount increased from 110 during period to 30 September 2014 to 111 during period to 31 March 2015 and then to 119 to period to 30 September 2015.

During the period €1.2m of costs were capitalised and are included within intangible fixed assets (2014: €0.1m). In addition €0.5m of development costs have been capitalised and are included within tangible fixed assets (2014: €nil). The current year figure includes €1m in respect of the Tricoya® Front End Engineering and Design Package.

4. Exceptional items

Exceptional items were recorded in previous periods as follows:

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 issued its 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 €0.3m. However, the Tribunal also ruled that the licence agreement between the two parties is to continue. In addition the Tribunal issued a final award in respect of costs were payable to Diamond Wood.

The exceptional item in the six months ended 30 September 2014 therefore represents a provision for €2.4m in respect of the awards for damages and Diamond Wood's costs. In addition, Accsys has incurred a further €0.7m in respect of its own legal costs in the period.

The exceptional item reported in the financial year to 31 March 2015 represents the final amounts paid in respect of the above arbitration with Diamond Wood of €2.9m. In addition there was also an exceptional item gain of €267,000 recorded relating to the acquisition of the remaining 50% of Tricoya Technologies Limited – see note 6.

5. Loss per share

Basic and diluted loss per share	Unaudited 6 months ended 30 Sept 2015	Unaudited 6 months ended 30 Sept 2014	Unaudited 6 months ended 30 Sept 2014	Audited Year ended 31 March 2015	Audited Year ended 31 March 2015
	Total	Before exceptional items	Total	Before exceptional items	Total
Weighted average number of Ordinary shares in issue ('000)	89,287	88,145	88,145	88,538	88,538
Loss for the period (€'000)	(332)	(3,622)	(6,702)	(5,590)	(8,260)
Basic and diluted loss per share	€(0.00)	€(0.04)	€(0.08)	€(0.06)	€(0.09)

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.

6. Tricoya Technologies Limited - 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. The company, Tricoya Technologies Limited ('TTL'), will develop and exploit Accsys' Tricoya technology for use within the 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.

On 31 March 2015, Accsys acquired 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 from 31 March 2015. An exceptional gain of €267,000 was recorded in the prior year as a gain on acquisition of subsidiary due to this bargain purchase.

During the period ended 30 September 2014 and up until 31 March 2015, TTL was accounted for using the equity method reflecting that it was a joint venture.

During the period ended 30 September 2015, TTL has been fully consolidated and the results are included as part of the overall group results and included within the Business Development segment as set out in Note 2. For the purposes of comparison only, the results for of TTL have been included below for the period ended 30 September 2014.

The TTL results for the period from 1 April 2015 to 30 September 2015, together with the balance sheet as at 30 September 2015 are set out below:
Income statement for TTL:

	100% Consolidated Unaudited 6 months ended 30 Sept 2015 €'000	Equity Accounted 50% Unaudited 6 months ended 30 Sept 2014 €'000	Equity Accounted 50% Audited Year ended 31 March 2015 €'000
Licence revenue	75	225	225
Other income	30	239	258
Total revenue	105	464	483
Costs:			
Staff costs	612	877	1,346
Research & development (excluding staff costs)	60	249	515
Intellectual Property	151	110	242
Sales & marketing	18	70	399
Amortisation	66	93	195
Total operating costs	907	1,399	2,696
Finance income	-	5	18
EBIT	802	930	2,196
Group share of EBIT	802	465	1,098

Tricoya Technologies Limited statement of financial position at 30 September 2015:

	Unaudited 6 months ended 30 Sept 2015 €'000	Unaudited 6 months ended 30 Sept 2014 €'000	Audited Year ended 31 March 2015 €'000
Non-current assets			
Intangible assets	2,899	1,797	1,855
Current assets			
Receivables due within one year	176	245	71
Cash and cash equivalents	118	125	1,338
Total current assets	294	370	1,409
Current liabilities			
Trade and other payables	(2,115)	(727)	(2,229)
Net current assets	(1,821)	(357)	(820)
Net assets	1,078	1,440	1,035
100% attributable to Accsys Technologies 2015 (50% 2014)	1,078	720	1,035
Less elimination of mark-up on recharged costs	(14)	(10)	29

Intangible assets represents internal development costs capitalised relating to the development of the Tricoya product and production process, including Front End Engineering and Design which has been undertaken in the period in respect of the first Tricoya production plant envisaged to be funded, constructed and operated by the proposed new consortium. During the current and previous periods TTL has benefited from the Life + Subsidy awarded by the EC. The subsidy, worth up to €2.1m over three years, was originally awarded in 2013 and is intended for the benefit of the first Tricoya plant. A total of €1.8m has been received in the prior periods. TTL has recorded €30,000 (2014: €239,000) of revenue in the as a result of having incurred eligible costs.

7. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2014	5,251	27,518	732	33,501
Additions	-	434	18	452
Foreign currency translation gain	-	-	9	9
At 30 September 2014	5,251	27,952	759	33,962
Additions	-	413	45	458
Foreign currency translation gain	-	-	18	18
At 31 March 2015	5,251	28,365	822	34,438
Additions	-	682	46	728
Disposals	-	-	(12)	(12)
Foreign currency translation (loss)	-	-	(7)	(7)
At 30 September 2015	5,251	29,047	848	35,147
Depreciation				
At 31 March 2014	307	11,836	618	12,761
Charge for the period	59	937	46	1,042
Foreign currency translation gain	-	-	8	8
At 30 September 2014	366	12,773	672	13,811
Charge for the period	59	959	41	1,058
Foreign currency translation gain	-	-	21	21
At 31 March 2015	424	13,732	734	14,890
Charge for the period	59	971	45	1,075
Disposals	-	-	(12)	(12)
Foreign currency translation (loss)	-	-	(7)	(7)
At 30 September 2015	482	14,703	761	15,946
Net book value				
At 31 March 2014	4,944	15,682	114	20,740
At 30 September 2014	4,885	15,179	87	20,151
At 31 March 2015	4,827	14,633	88	19,548
At 30 September 2015	4,769	14,344	88	19,201

8. Share capital

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.

Own shares represents 786,893 €0.05 Ordinary Shares issued to an Employee Benefit Trust ('EBT') at nominal value on 30 June 2015.

On 6 July 2015, a total of 20,000 of €0.05 Ordinary shares were issued to employees under the Company's share option scheme.

In addition, of the 783,597 €0.05 Ordinary Shares which had been issued to the EBT at nominal value on 18 August 2014, 746,241 Ordinary Shares vested on 1 July 2015. Of these beneficiaries elected to sell 390,683 Ordinary shares in the market.

On 13 August 2015, a total of 63,909 of €0.05 Ordinary shares were issued to a trust under the terms of the Employee Share Participation Plan.

On 8 August 2015, a total of 27,825 of €0.05 Ordinary shares were issued and released to employees together with the 22,825 of €0.05 Ordinary shares issued to trust on 8 August 2014.

9. Related party transactions

There were no related party transactions in the period. In the prior period ended 30 September 2014, there were a number of related party transactions with the Tricoya Technologies Limited joint venture, all of which arose in the normal course of business, totalling €758,000. At the end of the 31 September 2014, €425,000 of the total amount was payable from TTL to Accsys group companies.

10. Events occurring after the reporting period

On 25 November 2015 the Group entered a new agreement with Solvay which provides the framework and funding for a significant increase in the manufacturing capacity in Arnhem. Details are provided in the Chairman's and Chief Executive's statements.

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 2015, which comprises the consolidated interim statement of comprehensive income, consolidated interim statement of financial position, consolidated interim statement of changes in equity and the consolidated 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 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 has 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 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 consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2015 is not prepared, in all material respects, in accordance International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
London

27 November 2015

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 financial statements since they were 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.