ACCSYS
TECHNOLOGIES

AIM: AXS
NYSE Euronext Amsterdam: AXS

30 November 2011

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

Financial Summary

- Net cash out-flow decreased to €0.5m for six month period (2010: €11.6m);
- Cash balance of €27.1m as at 30 September 2011 (2010: €6.6m);
- Sale and leaseback of Arnhem land and buildings agreed with the first part completed in the period raising €2.2m with a further €1.8m to be received;
- Revenue decreased by 14% to €6.2m due to lower sales to Diamond Wood together with the impact of certain customers reducing their inventory levels to reflect slower market conditions which have resulted from the poor economic environment experienced in the wood products and building industries;
- Other operating costs decreased by 20% to €5.9m (2010:€7.4m) (see note 3); and
- Loss before tax fell by 17% to €6.3m (2010: €7.6m) largely attributable to a reduction in other operating costs.

Operational Highlights

- Commenced supply of acetylated material to Medite for the production of Medite Tricoya® resulting in Tricoya® reaching the market approximately two years earlier than previously expected. Medite Tricoya® has been officially launched with encouraging progress made in respect of marketing activities together with the receipt of initial customer orders;
- Signed comprehensive heads of terms with a major multinational corporation concerning a licence for the manufacture, distribution and sale of Accoya® in Europe;
- Passed previous target of 30 Accoya® distribution or agency agreements with a total of 31 now in place;
- Commercial development of Red Alder and Scots Pine in progress - new species to be used for Accoya® production;
- Significant marketing focus for new geographic and product segment introductions together with greater distributor support. This included increased attendance at trade shows, re-launching our website and developing distributor websites and on-line sales support tools; and
- Diamond Wood continues to progress with its planned IPO, which is now expected in 2012, on the junior exchange of the Malaysian Stock exchange and we understand has recently submitted a draft prospectus to the regulatory authority. Regulatory approval still needs to be obtained.

There will be a presentation relating to these results at 10:00 GMT on Wednesday 30 November 2011. The presentation will take the form of a web based conference call, details of which are below:

Webcast link:

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

http://www.media-server.com/m/p/637mgpg4

Conference call details for participants:

Participant Telephone Number: +44 (0)20 7136 6283 UK Toll
Confirmation Code: 8021204

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

For further information, please contact:

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Introduction

We have continued to make good progress towards our longer term objectives including progress towards licensing our technology and the launch of Medite Tricoya. However, sales in the first six months of the financial year proved particularly challenging for the Company as they were for the wood products industry as a whole.

We now have a stable management team in place which is continuing to have a significant impact on the operations of the Arnhem plant resulting in increased efficiency and processing times.

We have recently signed comprehensive heads of terms with a major multinational corporation concerning a licence for the production and sale of Accoya® wood in various European countries. While the heads of terms are non-binding, we believe they represent a significant milestone in our development of our long term objective of licensing our technology and we look forward to progressing towards completion of a full licence agreement.

I am particularly pleased about the launch of Medite Tricoya®, two years earlier than previously expected, following an agreement with Medite signed in the period. We, and independent industry experts, believe this revolutionary new product will have a significant impact on the panel product industry.

We have maintained a strong financial position following the fund-raising in February this year. As expected, we have reduced our inventory balance and significantly reduced our net cash out-flow. Over the six month period our combined Accoya® and raw wood inventory has reduced by 20% and we have reduced our net cash out-flow to €0.5m in the six months to September 2011 compared to €11.6m in the equivalent period in the previous year. The first part of the sale and leaseback of the Arnhem land and buildings has been completed and we have a finance facility in place from which we can draw down approximately €4m. Net cash as at 30 September 2011 was €27.1m.

The global Accoya® brand has grown with significant progress having been made in our marketing campaigns and we have now passed our previous target of 30 distribution or agency agreements world-wide.

We have however sold less Accoya® than we expected. We believe this is attributable to the current difficult economic situation which is particularly acute in the construction industry. We remain optimistic that in the longer term, sales will continue to grow and we have been obtaining positive continued feedback from our customers.

Tricoya® wood elements

In August we agreed to supply acetylated material to Medite for the production of Medite Tricoya® panels. As a result, these ultra-high performance medium density fibre boards ('MDF') with equivalent to class 1 durability, will reach the market place approximately two years earlier than previously expected.

Medite Tricoya® represents the first major innovation in the wood panel industry and, with an expected lifespan of sixty years, is expected to lead to a new generation of wood based panel products for exterior and wetted use.

Under this agreement, we expect to supply up to 7,500m^3 of acetylated material to Medite by 31 December 2012 which will enable Medite to carry out final market testing and market seeding ahead of the commercial scale production to be carried out under the licence terms set out in our Joint Development Agreement with Medite.

We commenced the sale of acetylated material to Medite in the period and Medite has subsequently successfully completed the first two production runs at their MDF plant in Clonmel, Ireland with the first Medite Tricoya panels expected to reach the market in the New Year.

Technology development

We have continued to invest in research and development which has enabled us to carry out a number of process and technology improvements. These developments have focussed on increasing production efficiency and reliability as well reducing operational and maintenance costs and as a result, following recent research and testing, we expect to achieve a number improvements in these areas over the next 12 months. Additionally, we have identified potential future improvements to our energy consumption, production capacity and product uniformity.

We significantly strengthened our intellectual property portfolio having successfully been granted an additional patent protecting the process under which Accoya® wood is now produced. Patents have been granted in the United Kingdom and South Africa, with grants in other territories expected to follow. The patent, which provides Accsys with a monopoly right over the current process to produce Accoya®, is expected to further enhance the Company's licensing credentials and ability to robustly defend itself against potential competitors. Accsys now has a portfolio of four different patent families protecting its acetylation process, comprising 22 granted patents and 30 patent applications pending in various global territories.

In October we completed an annual plant shut down enabling us to complete required regulatory inspections while also implementing a number of improvements.

Progress with licensing activity

In November we signed comprehensive heads of terms with a major multinational corporation. Under these terms, which are not legally binding, it is expected that the licensee will construct and operate a plant to manufacture Accoya® and to distribute and sell in various European countries. If the full licence agreement is achieved, Accsys would be expected to receive licence technology fees in stages over the course of construction and commissioning of the plant and subsequently to receive royalty payments based upon the quantity of Accoya® manufactured at the plant. The heads of terms represents significant progress towards our longer term objective of licensing our technology and reflects the growing confidence in our technologies.

We previously reported that our licensee and distributor Diamond Wood was, together with its bankers, in an advanced stage of preparing for an Initial Public Offering on the junior market of the Malaysian Stock exchange. We understand Diamond Wood continues to make progress in this respect and has recently submitted a draft prospectus to the Securities Commission Malaysia, the regulator of the ACE Market of the Malaysian Stock exchange, for regulatory approval prior to issuing.

Discussions with a number of other potential new Accoya® and Tricoya® licensees and other business development partners have continued and we have made good progress. In particular we have noted an increase in the level of interest associated with Tricoya® following the announcement that Medite Tricoya® will be manufactured earlier than previously expected. As with the heads of terms referred to above, it is important to note that any resulting agreements may result in a significant investment by the other party and as such we expect these negotiations will take time to complete and there is no guarantee of success. However, I continue to remain confident that these discussions will lead to mutually beneficial arrangements which will enable Accsys to achieve its long term objectives.

Accoya® wood

Revenue from sales of Accoya® produced by our Arnhem plant decreased by 15% to €5.5m in the first half of the year compared to the same six months in the previous year. The reduction in sales is largely attributable to lower sales to Diamond Wood.

Excluding sales to Diamond Wood, Accoya® revenue in the first half decreased by 4% compared to the same period last year. The sales were less than hoped for given our historical growth, however were not unexpected given the weak demand being experienced in the wider wood products and building industries during this period. In particular a number of customers, notably in Germany, have been reducing their inventory levels to reflect the slower market conditions which have resulted from the current economic situation in Europe. Overall sales are expected to increase again as this adjustment is completed and I note that seven out of our top 10 territories recorded an increase in Accoya® revenue in the period.

We previously announced that Diamond Wood had postponed its orders pending finalisation of its fund-raising. As explained above, Diamond Wood expects to carry out an Initial Public Offering and in anticipation of this, recently recommenced placing of orders with us which is now expected to increase ahead of the completion of their Accoya® production plant.

We have signed four new distribution or agency agreements extending our coverage in the Netherlands and adding France, Estonia, Lithuania and Latvia. The total of 31 distribution or agency agreements now covers most of Europe, Australia, Canada, Chile, India, Morocco, New Zealand, China, parts of South-East Asia and the USA.

In September we held our first annual Accoya® sales and strategy meeting in Arnhem, bringing together representatives from the majority of our distributors. This proved a valuable experience for everyone involved, enabling the exchange of sales and marketing ideas and initiatives which had been developed over time.

We continue to investigate the potential of a number of other wood species and are progressing with the commercial production of Red Alder, a species with new application uses, as well as Scots Pine. These are expected to introduce a number of new application uses as well as increase options in respect of sourcing raw materials. We have also made progress in developing acetylated radiata pine and another wood species for use in structural applications and expect to launch this in the New Year.

Brand development

The global Accoya® brand continues to grow. We launched an on-line 'Sales & Marketing Toolkit' for our distributors and have developed an Accoya® website template which has so far been rolled out to 19 distributors and manufacturers worldwide. We have exhibited at a number of trade shows including Timber Expo in the UK, Dubo Nationale in the Netherlands, Maderalia in Spain, Project Build in Belgium, By Reiss Degg in Norway, Greenbuild in Toronto and, more recently, Batimat in France.

We have continued an aggressive targeted multimedia campaign helping educate key audiences about the benefits and features of Accoya®, helping to generate sales leads and we have also carried out virtual architectural courses which have proved very popular. The company websites www.acccoya.com and www.accsysplc.com have been re-designed to inspire our key audiences, add new meaningful content and to ease the navigation around the sites. This has resulted in a dramatic increase in the website traffic averaging well over 2,000 unique visitors per week with enquiries for more information originating from our website also increasing.

In August Accoya® won the prestigious North American Architects magazine R&D award and in September we won the UK Timber Trade Journal's 2011 Market Development award. There has been a significant focus on the promotion of Accoya® in architectural and other key target magazines' editorial features in order to educate readers about Accoya's® outstanding performance. There have been 371 credible Accoya® articles so far this calendar year across our main sales territories.

Financial Review

Statement of comprehensive income

The Group recorded revenue of €6.2m for the six months ended 30 September 2011 (2010: €7.2m) and a pre-tax loss of €6.3m (2010: €7.6m). Total manufacturing revenue decreased by 14% to €6.2m (2010: €7.2m). Revenue from Accoya® (included within manufacturing revenue) decreased by 15% to €5.5m, reflecting a reduction in orders from two significant customers. €0.1m of licence income was recorded in the period (2010: €nil) representing a licence option payment.

The gross manufacturing margin of -9% (2010: -2%) has remained below the break-even level as production volumes did not increase as much as previously expected. In particular we note that the production volumes decreased in the second half of the period as a result of the lower sales volumes and due to a planned maintenance stop in September. The margin is expected to improve as our production volumes increase.

Headcount decreased over the last six months from 98 at 31 March 2011 to 97 at 30 September 2011. This represents a 25% reduction compared to the peak headcount of 130 in March 2009. Total other operating costs have decreased by 20% to €5.9m in the six months (2010: €7.4m) representing a continued focus on cost control and increasing efficiency.

The decrease in the loss before tax by 17% to €6.3m (2010: €7.6m) can largely be attributed to the reduction in other operating costs.

Cash flow and financial position

At 30 September 2011, the Group held cash balances of €27.1m. The €0.5m reduction in cash compared to 31 March 2011 is mainly attributable to the reported loss together with purchases of property plant and equipment of €0.7m. These have been offset by a €3.4m decrease in working capital (including a reduction in inventories of €2.6m) together with €2.2m received in respect of the sale and leaseback of part of our land and buildings in Arnhem.

The decrease in inventory follows the previously reported increase of stock levels resulting from the postponement of orders by Diamond Wood in the previous financial year. We expect inventory levels to continue to decrease in the second half of the financial year.

Agreements were reached in August 2011 for the sale and leaseback of the land and buildings in Arnhem under which a total of €4m will be received. €2.2m was received in the period with the remaining amount to be received within 15 months. Under the terms of the agreement, the buyer has committed to build new storage facilities which will also allow for an improvement in wood handling logistics, being the first steps in our intended expansion of the Arnhem facility. The transaction has resulted in a finance lease creditor of €2.2m as at 30 September 2011.

Risks and uncertainties

The Group's principle risks and uncertainties are unchanged from those set out in its 2011 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 the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem and the collection of on-going working capital items in line with internally agreed budgets. No assumptions have been made concerning the collection of licence income from existing or new licensees.

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.

Outlook

The economic climate has proved particularly challenging and has resulted in our first reported reduction in Accoya® sales. However we have a stronger financial position than before and, having passed our target of 30 distribution or agency agreements, are well placed to focus on increasing our sales growth going forward.

The agreement and resulting sales to Medite provide a new and potentially significant stage in the development of the Group and we look forward to working closely with Medite going forwards.

The recently signed heads of terms represents significant progression towards successfully licensing our technologies. In addition we continue to progress discussions with a number of potential licensees and as a result I am increasingly confident that our long term objective of profitably licensing the Group's intellectual property will be successful.

The sale and leaseback of the Arnhem plant has allowed for the first stage of our expansion plans to progress, however we will only progress further with the expansion at an appropriate time, taking into account our future sales growth.

Gordon Campbell
Chairman
29 November 2011

Directors responsibility statement

The Directors confirm to the best of their knowledge:

- The condensed financial statements 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 results 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
29 November 2011

Accsys Technologies PLC

Consolidated statement of comprehensive income for the six months ended 30 September 2011

	Note	Unaudited 6 months ended 30 September 2011 €'000	Unaudited 6 months ended 30 September 2010 €'000	Audited Year ended 31 March 2011 €'000
		Total	**Total**	**Total**
Accoya® wood revenue		5,517	6,524	12,567
Licence revenue		75	-	70
Other revenue		639	680	1,063
Total revenue	2	6,231	7,204	13,700
Total cost of sales		(6,695)	(7,377)	(14,209)
Gross loss		(464)	(173)	(509)
Other operating costs before restructuring costs	3	(5,852)	(7,236)	(13,486)
Restructuring costs	3	-	(202)	(202)
Total other operating costs		(5,852)	(7,438)	(13,688)
Release of impairment of licensee receivables	4	-	-	394
Loss from operations		(6,316)	(7,611)	(13,803)
Finance income		22	11	18
Finance expense		(33)	(33)	(66)
Loss before taxation		(6,327)	(7,633)	(13,851)
Tax charge		(252)	(281)	(553)
Loss for the period		(6,579)	(7,914)	(14,404)
Gain/(loss) arising on translation of foreign operations		23	(10)	(14)
Total comprehensive loss for the period		(6,556)	(7,924)	(14,418)
Basic and diluted loss per ordinary share	5	€(0.02)	€(0.04)	€(0.06)

The notes set out on pages 13 to 18 form part of these condensed financial statements.

Accsys Technologies PLC

Consolidated statement of financial position at 30 September 2011

	Note	Unaudited 6 months ended 30 Sept 2011 €'000	Unaudited 6 months ended 30 Sept 2010 €'000	Audited Year ended 31 March 2011 €'000
Non-current assets				
Intangible assets		7,580	7,456	7,576
Property, plant and equipment	6	26,251	26,680	26,427
Available for sale investments	7	-	-	-
Deferred tax		1,846	2,366	2,095
		35,677	36,502	36,098
Current assets				
Inventories		5,811	6,952	8,420
Trade and other receivables		7,879	9,542	9,589
Cash and cash equivalents		27,069	6,640	27,576
Corporation tax		5	41	8
		40,764	23,175	45,593
Current liabilities				
Trade and other payables		(5,122)	(5,887)	(6,317)
Obligation under finance lease		(280)	-	-
Corporation tax		-	-	-
		(5,402)	(5,887)	(6,317)
Non-current liabilities				
Obligation under finance lease		(1,955)	-	-
		(1,955)	-	-
Net current assets		35,362	17,288	39,276
Total net assets		69,084	53,790	75,374
Equity and reserves				
Share capital - Ordinary shares	8	4,039	2,006	4,031
Share premium account		124,877	98,748	124,809
Capital redemption reserve		148	148	148
Warrants reserve		82	82	82
Merger reserve		106,707	106,707	106,707
Retained earnings		(166,776)	(153,914)	(160,387)
Own shares		(25)	-	(25)
Foreign currency translation reserve		32	13	9
Total equity		69,084	53,790	75,374

The notes set out on pages 13 to 18 form part of these condensed financial statements.

Accsys Technologies PLC

Consolidated statement of changes in equity for the six months ended 30 September 2011

	Share capital Ordinary	Share premium	Capital redempt-ion reserve	Warrant reserve	Merger reserve	Own Shares	Foreign currency trans-lation reserve	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31 March 2010	2,006	98,748	148	82	106,707	-	23	(146,157)	61,557
Total comprehensive income for the period	-	-	-	-	-	-	(10)	(7,914)	(7,924)
Share based payments	-	-	-	-	-	-	-	157	157
Shares issued in the period	-	-	-	-	-	-	-	-	-
Premium on shares issued	-	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-
Balance at 30 Sept 2010 (unaudited)	2,006	98,748	148	82	106,707	-	13	(153,914)	53,790
Total comprehensive income for the period	-	-	-	-	-	-	(4)	(6,490)	(6,494)
Share based payments	-	-	-	-	-	-	-	17	17
Shares issued	2,025	-	-	-	-	(25)	-	-	2,000
Premium on shares issued	-	28,000	-	-	-	-	-	-	28,000
Share issue costs	-	(1,939)	-	-	-	-	-	-	(1,939)
Balance at 31 March 2011	4,031	124,809	148	82	106,707	(25)	9	(160,387)	75,374
Total comprehensive income for the period	-	-	-	-	-	-	23	(6,579)	(6,556)
Share based payments	-	-	-	-	-	-	-	190	190
Shares issued	8	-	-	-	-	-	-	-	8
Premium on shares issued	-	70	-	-	-	-	-	-	70
Share issue costs	-	(2)	-	-	-	-	-	-	(2)
Balance at 30 Sept 2011 (unaudited)	4,039	124,877	148	82	106,707	(25)	32	(166,776)	69,084

The notes set out on pages 13 to 18 form part of these condensed financial statements.

Shares issued in the period relate to the Employee share scheme under which 28 employees subscribed for a total of 783,283 shares with the ability to receive a matching share after one year, if still employed by the Group.

Accsys Technologies PLC

Consolidated statement of cash flow for the six months ended 30 September 2011

	Unaudited 6 months 30 Sept 2011 €'000	Unaudited 6 months 30 Sept 2010 €'000	Audited Year End 31 March 2011 €'000
Profit before taxation	(6,327)	(7,633)	(13,851)
Adjustments for:			
Amortisation of intangible assets	137	132	264
Depreciation of property, plant and equipment	898	787	1,630
Loss on disposal of property, plant and equipment	-	8	8
Finance expense/(income)	11	(11)	48
Reversal of impairment of receivables	-	-	(394)
Equity-settled share-based payment expenses	190	157	174
Cash flows from operating activities before changes in working capital	(5,091)	(6,560)	(12,121)
Decrease/(increase) in trade and other receivables	1,709	(821)	(468)
Decrease/(increase) in inventories	2,609	(3,192)	(4,661)
Decrease in trade and other payables	(966)	(542)	(480)
Net cash absorbed by operating activities before tax	(1,739)	(11,115)	(17,730)
Tax (paid)/received	-	(8)	24
Net cash flows from operating activities	(1,739)	(11,123)	(17,706)
Cash flows from investing activities			
Interest received	23	11	18
Expenditure on capitalised internal development	(142)	-	(252)
Disposal of property, plant and equipment	-	22	22
Purchase of property, plant and equipment	(723)	(521)	(1,073)
Net cash absorbed by investing activities	(842)	(488)	(1,285)
Cashflows from financing activities			
Proceeds from sale and lease back	2,236	-	-
Proceeds from issue of share capital	78	-	30,000
Share issue costs	(267)	-	(1,686)
Net cash from financing activities	2,047	-	28,314
Effect of exchange differences on restatement of non Euro functional currency	27	(7)	(5)
Net (decrease)/increase in cash and cash equivalents	(534)	(11,611)	9,323
Opening cash and cash equivalents	27,576	18,258	18,258
Closing cash and cash equivalents	27,069	6,640	27,576

The notes set out on pages 13 to 18 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 2011 and the six months ended 30 September 2010 is unaudited. The comparative financial information for the full year ended 31 March 2011 does not constitute the group's statutory financial statements for that period although it has been derived from the statutory financial statement 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 and did not include reference to the going concern status of the group.

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 2012 Annual report. The accounting policies and methods of computation are consistent with those applied in the 31 March 2011 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 the achievement of certain operating performance measures relating to the production and sales of Accoya® wood from the plant in Arnhem and the collection of on-going working capital items in line with internally agreed budgets. No assumptions have been made concerning the collection of licence income from existing or new licensees.

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. Licensing revenue includes revenue attributable to fees received or receivable in relation to the licensing of the Group's technology to third parties. Manufacturing revenue includes the sale of Accoya® wood and other revenue, principally relating to the sale of acetic acid. Revenue is allocated between licence fees and the product manufactured at the Group's Arnhem facility. All costs of sales are allocated against the manufacturing activities in Arnhem unless they can be directly attributable to a licensee. Other operating costs incurred in the Netherlands are attributed to the manufacturing segment unless they can be directly attributable to research and development, with all remaining other operating costs allocated to licensing.

	Licensing			Manufacturing		
	Unaudited 6 months ended 30 Sept 2011 €'000	**Unaudited 6 months ended 30 Sept 2010 €'000**	**Audited Year ended 31 March 2011 €'000**	**Unaudited 6 months ended 30 Sept 2011 €'000**	**Unaudited 6 months ended 30 Sept 2010 €'000**	**Audited Year ended 31 March 2011 €'000**
Revenue	75	-	70	6,156	7,204	13,630
Cost of sales	-	-	-	(6,695)	(7,377)	(14,209)
Gross profit / (loss)	75	-	70	(539)	(173)	(579)
Other operating costs	(2,996)	(3,632)	(6,550)	(2,171)	(2,828)	(5,448)
Restructuring costs	-	(202)	(202)	-	-	-
Total other operating costs	(2,996)	(3,834)	(6,752)	(2,171)	(2,828)	(5,448)
Reversal of impairment of licensee receivables	-	-	394	-	-	-
Loss from operations	(2,921)	(3,834)	(6,288)	(2,710)	(3,001)	(6,027)

	Research and Development			Total		
	Unaudited 6 months ended 30 Sept 2011 €'000	**Unaudited 6 months ended 30 Sept 2010 €'000**	**Audited Year ended 31 March 2011 €'000**	**Unaudited 6 months ended 30 Sept 2011 €'000**	**Unaudited 6 months ended 30 Sept 2010 €'000**	**Audited Year ended 31 March 2011 €'000**
Revenue	-	-	-	6,231	7,204	13,700
Cost of sales	-	-	-	(6,695)	(7,377)	(14,209)
Gross profit / (loss)	-	-	-	(464)	(173)	(509)
Other operating costs	(685)	(776)	(1,488)	(5,852)	(7,236)	(13,486)
Restructuring costs	-	-	-	-	(202)	(202)
Total other operating costs	(685)	(776)	(1,488)	(5,852)	(7,438)	(13,688)
Reversal of impairment of licensee receivables	-	-	-	-	-	394
Loss from operations	(685)	(776)	(1,488)	(6,316)	(7,611)	(13,803)
Finance income				22	11	18
Finance expense				(33)	(33)	(66)
Loss before taxation				(6,327)	(7,633)	(13,851)

Analysis of revenue by geographical area:

	Unaudited 6 months ended 30 Sept 2011 €'000	Unaudited 6 months ended 30 Sept 2010 €'000	Audited Year ended 31 March 2011 €'000
Netherlands	2,521	2,068	4,371
United Kingdom	1,098	1,088	2,095
North America	529	759	1,295
Switzerland	447	297	453
Germany	440	1,300	2,495
China	402	1,221	1,530
Belgium	147	-	103
Ireland	146	77	221
Norway	139	22	154
India	130	61	210
Other	232	311	773
	6,231	7,204	13,700

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, London and following re-location of the London office, Windsor.

	Unaudited 6 months ended 30 Sept 2011 €'000	Unaudited 6 months ended 30 Sept 2010 €'000	Audited Year ended 31 March 2011 €'000
Sales and marketing	1,163	1,639	2,331
Research and development	685	776	1,488
Depreciation and amortisation	1,035	927	1,894
Other operating costs	1,155	624	2,287
Administration costs	1,814	3,270	5,486
Restructuring costs	-	202	202
	5,852	7,438	13,688

The Group headcount reduced from 101 at 30 September 2010 to 98 at 31 March 2011 and then to 97 at 30 September 2011.

The Group began a programme of capitalising qualifying development costs part way through the year ended 31 March 2011. During the period €142,000 of development costs were capitalised and are included within intangible fixed assets (2010:€nil).

4. Release of impairment of licensee receivable

The reversal of the impairment of €0.4m recorded in the year ended March 2011 represents money received from Diamond Wood under the licence agreement which had previously been impaired.

5. Loss per share

Basic and diluted loss per share	**Unaudited 6 months ended 30 Sept 2011**	**Unaudited 6 months ended 30 Sept 2010**	**Audited Year ended 31 March 2011**
Weighted average number of Ordinary shares in issue ('000)	403,364	200,603	221,696
Loss for the period (€'000)	(6,579)	(7,914)	(14,404)
Basic and diluted loss per share	€ (0.02)	€ (0.04)	€ (0.06)

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

6. Property, plant and equipment

	Freehold land €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
At 31 March 2010	6,815	25,104	394	32,313
Additions	-	379	141	520
Disposals	-	(36)	-	(36)
Foreign currency translation gain/(loss)	-	-	-	-
At 30 September 2010	6,815	25,447	535	32,797
Additions	-	661	(69)	592
Disposals	-	-	-	-
Foreign currency translation gain/(loss)	-	-	(4)	(4)
At 31 March 2011	6,815	26,108	462	33,385
Additions	-	598	124	722
Disposals	-	-	-	-
Foreign currency translation gain/(loss)	-	-	(3)	(3)
At 30 September 2011	6,815	26,706	583	34,104
Depreciation				
At 31 March 2010	-	4,980	361	5,341
Charge for the period	-	754	28	782
Disposals	-	(6)	-	(6)
Foreign currency translation gain/(loss)	-	-	-	-
At 30 September 2010	-	5,728	389	6,117
Charge for the period	-	832	16	848
Disposals	-	-	-	-
Foreign currency translation gain/(loss)	-	-	(7)	(7)
At 31 March 2011	-	6,560	398	6,958
Charge for the period	18	850	30	898
Disposals	-	-	-	-
Foreign currency translation gain/(loss)	-	-	(3)	(3)
At 30 September 2011	18	7,410	425	7,853
Net book value				
At 31 March 2010	6,815	20,124	33	26,972
At 30 September 2010	6,815	19,719	146	26,680
At 31 March 2011	6,815	19,548	64	26,427
At 30 September 2011	6,797	19,296	158	26,251

7. Available for sale investments

Accsys Technologies PLC's investment in Diamond Wood of 21,666,734 shares represented a holding of 5.66% as at 30 September 2011. So far as we are aware, there has been no change in the investment since that date.

The carrying value of the investment is carried at cost less any provision for impairment, rather than at its fair value, as at 30 September 2011 there was no active market for these shares and there was uncertainty over the potential fundraising efforts of Diamond Wood, and as such a reliable fair value could not be calculated.

The Group does not currently have an intention to dispose of its investment in Diamond Wood in the foreseeable future.

The historical cost of the unlisted shares at 30 September 2011 is €10m (2010: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded, as at 30 September 2011 the conclusion of Diamond Wood finalising its funding arrangements was still pending. In the event Diamond Wood completes the fund-raising, the balance may be re-valued.

8. Share capital

On 22 February 2011, following the publication of a prospectus for the Firm Placing and Placing and Open Offer, the Company issued 200,000,000 new Ordinary shares for €0.15 each. Proceeds of €28,061,000 were received net of expenses of €1,939,000. At the same time, 2,500,000 new Ordinary shares were issued to an Employee Benefit Trust, the beneficiaries of which will be the Executive Directors and Senior Managers as at that date.

On 1 August 2011, following the introduction of an Employee Share Participation Plan the Company issued 783,283 new Ordinary shares for €0.11 each. Proceeds of €83,000 were received noting that €8,000 is held separately in respect of matching shares which will be issued after one year if the employee is still employed by the Group.

At 30 September 2011 the Company had 403,885,811 Ordinary shares in issue.

9. Related party transactions

There were no related party transactions in the six months ended 30 September 2011.

During the six months to 30 September 2010 Willy Paterson-Brown was a director of Khalidiya Investments SA. The Group was charged €213,534 (September 2011: €nil) by Khalidiya Investments SA in respect of director's services, €6,318 (September 2011: €nil) in respect of expenses for a number of employees, and €69,501 (September 2011: €nil) in respect of office and related costs. At 30 September 2010 €121,000 (2011: €nil) was owing to Khalidiya Investments SA. Willy Paterson-Brown resigned as a director of the Group with effect from 30 September 2010.

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 2011, which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated 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 has been prepared 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.

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 six months ended 30 September 2011 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

29 November 2011

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.