

ACCSYS

T E C H N O L O G I E S

AIM: AXS
NYSE Euronext Amsterdam: AXS

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

Financial Highlights

- Solid performance in terms of revenue from sales of Accoya[®] wood which increased by 81% to €6.5m (2009: €3.6m);
- Total revenue of €7.2 million (2009: €9.3 million) included €nil attributable to licence income (2009: €5.4m);
- Significant improvement in manufacturing gross margin from 48% loss in 2009 to 2% loss in 2010. Total margin (including licence income) decreased from a 22% profit to a 2% loss;
- Pre-tax loss of €7.6 million (2009: loss of €8.0 million);
- Management action to reduce other operating costs resulted in a decrease by 24% to €7.4m when compared to the same period in previous year (see note 4 for details of other operating costs);
- Net cash position of €6.6 million (2009: €9.5m); and
- In order to meet the expected demand for Accoya[®], the expansion of our Arnhem plant is being planned, with the intention of increasing capacity by 50%.

Operational Highlights

- Detailed discussions in progress with potentially significant licensing and strategic partners;
- Record production and sales volume of Accoya[®] wood from Arnhem production plant, with sales volumes increasing by 93% to 6,537m³ compared to the same period last year;
- Our licensee, Diamond Wood, announced it has signed an agreement with an Asian investor group and the imminent funding of its first Accoya[®] wood factory in Asia by the end of 2010;
- Three additional distribution agreements signed in the period including a New Zealand distributor and a US tolling agreement making a total of 21 distribution, agency or supply agreements;
- First shipments of Accoya[®] wood to India;
- Gordon Campbell appointed Chairman replacing Willy Paterson-Brown and Patrick Shanley appointed as a Non-Executive Director;
- Restructuring exercise has resulted in a predominantly new senior management team leading focused business units; and
- Further successful full scale trial production run of the manufacture of Medite Tricoya[®].

There will be a presentation relating to these results at 9:30am GMT on Wednesday 1 December 2010. The presentation will take the form of a web based conference call, details of which are below:

Webcast link: [Click Here](#)

Or copy and paste ALL of the following text into your browser: http://www.thomson-webcast.net/uk/dispatching/?event_id=ac7c6beff324c6a2a87940f91ad5855d&portal_id=d2fa018e8edd8114d9ca59f7577b6433

Conference call details for participants:

Participant Telephone Number: +44 (0)20 7806 1968 UK Toll
Confirmation Code: 4062313

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

Accsys Technologies PLC

Paul Clegg, CEO of Accsys, commented:

"We have had a successful six months including record production and sales levels of Accoya® wood at our Arnhem plant. Three distribution, agency or supply agreements have been signed, including a New Zealand distributor making a total of 21 distribution, agency and supply agreements in operation. These, together with the first shipments of Accoya® to India, continue to demonstrate our progression towards establishing Accoya® wood as truly global brand. In addition, I am pleased by the continuing progress in the development of Tricoya® with joint development partners, Medite Europe Limited.

Whilst the economic climate continues to be challenging, Accsys is making good progress in driving forward the business in terms of distribution agreements, developing new potential licence agreements and focussing on providing the platform to grow the business and deliver future value for shareholders."

For further information, please contact:

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Operating Review

I am pleased to report that following the challenging times of last year, we are now making good progress in respect of our longer term objectives. Paul Clegg, who has now been Chief Executive Officer for more than a year, has continued with the help of Hans Pauli, who took over as Chief Financial Officer and Chief Operating Officer in April this year, to lead organisational and process changes throughout the Group.

These changes have enabled us to produce and sell more Accoya[®] wood than ever before from our plant in Arnhem, while we have also made significant progress in furthering several new potential licence agreements.

Accoya[®] wood

Revenue from sales of Accoya[®] wood produced by our Arnhem plant increased by 81% to €6.5m in the first half of the year compared to the same six months in the previous year. In the first quarter of the financial year, revenue had increased by 46% to €3.2m compared to the equivalent quarter in the previous year which was followed by a 130% increase to €3.3m in the second quarter.

The increase in sales together with process improvements has enabled us to come close to generating a positive gross margin in the six months to 30 September 2010; progress which supports our objective of making the plant break-even by the end of the 2011 calendar year.

We have signed three further distribution, agency or supply agreements in the last six months, making a total of 21 distribution, agency and supply agreements in operation. One of the new agreements has extended our geographic coverage to New Zealand, which together with the first shipments of Accoya[®] to India, continues to demonstrate our progression towards establishing Accoya[®] wood as a truly global brand.

In addition, working with our partners, we have developed new product offerings for higher volume product markets including laminated window frames and fencing components.

Technology development

I am pleased to confirm that we were able to carry out another plant shut down this year in October, carrying out further process improvements and maintenance. The plant was fully operational again after just two weeks, compared to nearly two months last year.

This typifies the changes and improvements that we have made over the last year which have also enabled us to produce a record amount of Accoya[®] over the six months to 30 September 2010 with the 8,728m³ produced being a 50% increase on the previous six months. This enabled us to increase stock levels ahead of the plant shut down in October.

I am particularly pleased by the results of a recent report by the New Zealand Forest Research Institute, Scion, who carried out a five year field test confirming that acetylated wood outperforms other naturally durable and treated species in terms of fungi resistance and decay, even in ground contact.

In September, a second industrial trial of the manufacture of Tricoya[®] was successfully carried out at Medite's (our joint development partner) plant in Ireland, representing another important step towards production consistency.

Progress with licensing activity

Following the signing of a revised licence agreement with Diamond Wood China Limited ('Diamond Wood') in June 2010, we were pleased to recently announce that Diamond Wood has signed an agreement with an Asian investor group and the subsequent imminent funding of its first Accoya[®] factory in Asia by the end of 2010.

Discussions with a number of potential new licensees and strategic partners are actively underway and I remain confident that the discussions will lead to mutually beneficial arrangements which will enable Accsys to achieve its long term objectives.

Financial Review

Statement of comprehensive income

The Group recorded revenue of €7.2m for the six months ended 30 September 2010 (2009: €9.3m) and a pre-tax loss of €7.6m (2009: €8m). Total manufacturing revenue increased by 82% to €7.2m (2009: €4.0m). Included within manufacturing revenue, revenue from Accoya[®] wood increased by 81% to €6.5m reflecting continued increase in demand and production at our Arnhem facility. No licence income was recorded in the period (2009: €5.4m) reflecting the delays experienced by our licensees.

Headcount decreased over the last six months from 107 to 101 at 30 September 2010, with associated restructuring costs of €0.2m. This represents a 22% decrease from the peak headcount of 130 in March 2009. Total headcount, including contractors, has decreased from a peak of 147 in March 2009 to 114 at 30 September 2010. Together with the impact of the restructuring in the previous year, other operating costs (excluding restructuring costs) for the six months to September 2010 have reduced by 19% (€1.7m) to €7.3m compared to the same period in the previous year.

Cash flow and financial position

At 30 September 2010, the Group held cash balances of €6.6m. The €11.6m reduction in cash compared to 31 March 2010 is mainly attributable to the reported loss together with increases in inventory of €3.2m and trade and other receivables of €0.8m together with a reduction in trade and other payables of €0.6m. The increase in inventory is attributable to the build up of stock levels ahead of the plant close down in October.

Risks and uncertainties

Other than as noted below, the Group's principle risks and uncertainties are unchanged from those set out in its 2010 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.

The Directors believe that while the long term profitability of the group will be determined by its ability to licence the Group's technology, the timing of the agreements which will generate further licence income remain uncertain. As a result, the expansion of the Arnhem plant is being planned with the intention of increasing capacity by 50% in order to meet the expected demand for Accoya[®].

The Directors are expecting to raise funds from a number of potential sources in order to meet the costs of construction and on-going operating costs during the period until it is expected that the expanded plant will generate sufficient income to make the Group cash-flow positive. The Directors have commenced discussions with some of these potential sources of funding and are confident that funds will be raised; however no binding agreements are yet in place.

The Directors believe that the going concern basis is the most appropriate basis on which to prepare the condensed financial statements, although the fact that the funds have not yet been raised constitutes a material uncertainty that may cast doubt over the company's ability to continue as a going concern in that the company may be unable to realise its assets and liabilities in the normal course of business.

Outlook

Despite the continuing difficult economic climate, we have seen a continued increase in demand for Accoya® wood both in established markets and in new geographies and applications. We continue to make significant progress with potential new licensees and expect to further increase the global coverage of Accoya® wood as the demand continues to increase and the number of distribution, agency and supply agreements also increases.

However, we accept that some of these licence relationships may take time before they generate sustainable profits. It is also appropriate to maximise the return from our operating plant in Arnhem. Therefore we anticipate raising new finance in order to fund the expansion of the Arnhem plant and to meet the Group's operating costs until this expansion is complete and a sufficient level of licence income and revenue from Accoya® has been secured. The proposed expansion will enable the plant to generate sufficient profits to be able to meet the remainder of the Group's operating costs in the future.

Gordon Campbell
Chairman
29 November 2010

Accsys Technologies PLC

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 2010

Accsys Technologies PLC

Consolidated condensed statement of comprehensive income for the six months ended 30 September 2010

	Note	Unaudited 6 months 30 September 2010 €'000 Before Restructuring Costs	Unaudited 6 months 30 September 2010 €'000 Restructuring costs	Unaudited 6 months 30 September 2010 €'000 Total	Unaudited 6 months 30 September 2009 €'000 Before Restructuring Costs	Unaudited 6 months 30 September 2009 €'000 Restructuring costs	Unaudited 6 months 30 September 2009 €'000 Total	Audited Year End 31 March 2010 €'000 Before Diamond Wood write- offs and restructuring costs	Audited Year End 31 March 2010 €'000 Diamond Wood write- offs and restructuring costs	Audited Year End 31 March 2010 €'000 Total
Accoya® wood revenue		6,524	-	6,524	3,627	-	3,627	9,136	-	9,136
Licence revenue		-	-	-	5,367	-	5,367	6,688	-	6,688
Other revenue		680	-	680	336	-	336	899	-	899
Total revenue	3	7,204	-	7,204	9,330	-	9,330	16,723	-	16,723
Total cost of sales		(7,377)	-	(7,377)	(7,292)	-	(7,292)	(14,572)	-	(14,572)
Gross (loss)/profit		(173)	-	(173)	2,038	-	2,038	2,151	-	2,151
Other operating costs before restructuring costs	4	(7,236)	-	(7,236)	(8,956)	-	(8,956)	(17,772)	-	(17,772)
Restructuring costs	4	-	(202)	(202)	-	(878)	(878)	-	(862)	(862)
Total other operating costs		(7,236)	(202)	(7,438)	(8,956)	(878)	(9,834)	(17,772)	(862)	(18,634)
Impairment of licensee receivables	5	-	-	-	-	-	-	-	(25,458)	(25,458)
Impairment of equity investment	5	-	-	-	-	-	-	-	(10,000)	(10,000)
Loss from operations		(7,409)	(202)	(7,611)	(6,918)	(878)	(7,796)	(15,621)	(36,320)	(51,941)
Finance income		11	-	11	14	-	14	18	-	18
Finance expense		(33)	-	(33)	(246)	-	(246)	(291)	-	(291)
Loss before taxation		(7,431)	(202)	(7,633)	(7,150)	(878)	(8,028)	(15,894)	(36,320)	(52,214)
Tax (charge)/credit		(281)	-	(281)	(294)	-	(294)	75	-	75
Loss for the period		(7,712)	(202)	(7,914)	(7,444)	(878)	(8,322)	(15,819)	(36,320)	(52,139)
(Loss)/gain arising on translation of foreign operations		(10)	-	(10)	-	-	-	23	-	23
Total comprehensive loss for the period		(7,722)	(202)	(7,924)	(7,444)	(878)	(8,322)	(15,796)	(36,320)	(52,116)

The notes set out on pages 11 to 16 form part of these condensed financial statements.

Accsys Technologies PLC

Consolidated condensed statement of financial position at 30 September 2010

	Note	Unaudited 6 months ended 30 September 2010 €'000	Unaudited 6 months ended 30 September 2009 €'000	Audited Year ended 31 March 2010 €'000
Non-current assets				
Intangible assets		7,456	7,720	7,588
Property, plant and equipment	7	26,680	27,998	26,972
Available for sale investments	8	-	10,000	-
Deferred tax		2,366	2,371	2,644
Trade receivables		-	3,200	-
		36,502	51,289	37,204
Current assets				
Inventories		6,952	3,767	3,755
Trade and other receivables		9,542	41,217	8,741
Cash and cash equivalents		6,640	9,512	18,258
Corporation tax		41	-	36
		23,175	54,496	30,790
Current liabilities				
Trade and other payables		5,887	20,878	6,437
Corporation tax		-	107	-
		5,887	20,985	6,437
Net current assets		17,288	33,511	24,353
Total net assets		53,790	84,800	61,557
Equity and reserves				
Share capital - Ordinary shares	9	2,006	1,564	2,006
Share premium account		98,748	78,726	98,748
Capital redemption reserve		148	148	148
Warrants reserve		82	82	82
Merger relief reserve		106,707	106,707	106,707
Retained earnings		(153,914)	(102,427)	(146,157)
Foreign currency translation reserve		13	-	23
Total equity		53,790	84,800	61,557

The notes set out on pages 11 to 16 form part of these condensed financial statements.

Accsys Technologies PLC

Consolidated statement of changes in equity for the six months ended 30 September 2010

	Share capital Ordinary	Share capital Deferred	Share premium	Capital redempt- -ion reserve	Warrant reserve	Merger relief reserve	Foreign currency trans- lation reserve	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31 March 2009	1,556	-	78,191	148	82	106,707	-	(94,345)	92,339
Total comprehensive income for the period	-	-	-	-	-	-	-	(8,322)	(8,322)
Share based payments	-	-	-	-	-	-	-	240	240
Shares issued in the period	7	-	-	-	-	-	-	-	7
Share options exercised	1	-	-	-	-	-	-	-	1
Premium on shares issued	-	-	556	-	-	-	-	-	556
Share issue costs	-	-	(21)	-	-	-	-	-	(21)
Balance at 30 September 2009 (unaudited)	1,564	-	78,726	148	82	106,707	-	(102,427)	84,800
Total comprehensive income for the period	-	-	-	-	-	-	23	(43,817)	(43,794)
Share based payments	-	-	-	-	-	-	-	87	87
Shares issued in the period	442	-	-	-	-	-	-	-	442
Premium on shares issued	-	-	21,077	-	-	-	-	-	21,077
Share issue costs	-	-	(1,055)	-	-	-	-	-	(1,055)
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
Balance at 30 September 2010 (unaudited)	2,006	-	98,748	148	82	106,707	13	(153,914)	53,790

The notes set out on pages 11 to 16 form part of these condensed financial statements.

Accsys Technologies PLC

Consolidated condensed statement of cash flow for the six months ended 30 September 2010

	Unaudited 6 months 30 September 2010 €'000	Unaudited 6 months 30 September 2009 €'000	Audited Year End 31 March 2010 €'000
Profit before taxation	(7,633)	(8,028)	(52,214)
<i>Adjustments for:</i>			
Amortisation of intangible assets	132	132	264
Depreciation of property, plant and equipment	787	740	1,609
Loss on disposal of property, plant and equipment	8	658	999
Finance (income)/expense	(11)	232	229
Impairment of receivables and investment	-	-	35,458
Equity-settled share-based payment expenses	157	240	327
Cash flows from operating activities before changes in working capital	(6,560)	(6,026)	(13,328)
(Increase)/decrease in trade and other receivables	(821)	4,168	5,592
(Increase)/decrease in inventories	(3,192)	1,122	1,144
Decrease in trade and other payables	(542)	(7,759)	(7,307)
Cash absorbed by operating activities	(11,115)	(8,495)	(13,899)
Tax paid	(8)	(56)	(103)
Net cashflows from operating activities	(11,123)	(8,551)	(14,002)
Cash flows from investing activities			
Interest received	11	14	18
Purchase of available for sale investments	-	(2,000)	(4,000)
Disposal of property, plant and equipment	22	2	2
Purchase of property, plant and equipment	(521)	(1,753)	(2,029)
Net cash absorbed by investing activities	(488)	(3,737)	(6,009)
Cashflows from financing activities			
Proceeds from loans	-	4,000	4,000
Finance expenses	-	(246)	(246)
Proceeds from issue of share capital	-	556	17,167
Share issue costs	-	(13)	(160)
Net cash from financing activities	-	4,297	20,761
Effect of exchange differences on restatement of non Euro functional currency	(7)	-	5
Net (decrease)/increase in cash and cash equivalents	(11,611)	(7,991)	750
Opening cash and cash equivalents	18,258	17,503	17,503
Closing cash and cash equivalents	6,640	9,512	18,258

The notes set out on pages 11 to 16 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 as adopted for use in the European Union. The financial information for the six months ended 30 September 2010 and the six months ended 30 September 2009 is unaudited. The comparative financial information for the full year ended 31 March 2010 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 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, additional finance is required to fund working capital.

The Directors believe that while the long term profitability of the group will be determined by its ability to licence the Group's technology, the timing of the agreements which will generate further licence income remain uncertain. As a result, the expansion of the Arnhem plant is being planned with the intention of increasing capacity by 50% in order to meet the expected demand for Accoya®.

The Directors are expecting to raise funds from a number of potential sources in order to meet the costs of construction and on-going operating costs during the period until it is expected that the expanded plant will generate sufficient income to make the Group cash-flow positive. The Directors have commenced discussions with some of these potential sources of funding and are confident that funds will be raised; however no binding agreements are yet in place.

The Directors believe that the going concern basis is the most appropriate basis on which to prepare the condensed financial statements, although the fact that the funds have not yet been raised constitutes a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern in that the company may be unable to realise its assets and liabilities in the normal course of business.

2. Related party transactions

Willy Paterson-Brown is a director of Khalidiya Investments SA. During the six months to 30 September 2010, the Group was charged €213,534 (September 2009: €136,400) by Khalidiya Investments SA in respect of director's services, €6,318 (September 2009: €158,715) in respect of expenses for a number of employees, and €69,501 (September 2009: €210,947) in respect of office and related costs. At 30 September 2010 €121,000 (2009: €86,122) was owing to Khalidiya Investments SA. Willy Paterson-Brown resigned as a director of the Group with effect from 30 September 2010.

3. Segmental reporting

The Group's business is the development, commercialisation and licensing of proprietary technology for the manufacture of Accoya® wood 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 2010 €'000	Unaudited 6 months ended 30 Sept 2009 €'000	Audited Year ended 31 March 2010 €'000	Unaudited 6 months ended 30 Sept 2010 €'000	Unaudited 6 months ended 30 Sept 2009 €'000	Audited Year ended 31 March 2010 €'000
Revenue	-	5,367	6,688	7,204	3,963	10,035
Cost of sales	-	(1,434)	(1,857)	(7,377)	(5,858)	(12,715)
Gross profit/(loss)	-	3,933	4,831	(173)	(1,895)	(2,680)
Other operating costs	(3,632)	(4,789)	(8,992)	(2,828)	(3,537)	(7,447)
Restructuring costs	(202)	(792)	(818)	-	(86)	(44)
Total other operating costs	(3,834)	(5,581)	(9,810)	(2,828)	(3,623)	(7,491)
Impairment of licensee receivables	-	-	(25,458)	-	-	-
Impairment of equity investment	-	-	(10,000)	-	-	-
Loss from operations	(3,834)	(1,648)	(40,437)	(3,001)	(5,518)	(10,171)
	Research and Development			Total		
	Unaudited 6 months ended 30 Sept 2010 €'000	Unaudited 6 months ended 30 Sept 2009 €'000	Audited Year ended 31 March 2010 €'000	Unaudited 6 months ended 30 Sept 2010 €'000	Unaudited 6 months ended 30 Sept 2009 €'000	Audited Year ended 31 March 2010 €'000
Revenue	-	-	-	7,204	9,330	16,723
Cost of sales	-	-	-	(7,377)	(7,292)	(14,572)
Gross profit/(loss)	-	-	-	(173)	2,038	2,151
Other operating costs	(776)	(630)	(1,333)	(7,236)	(8,956)	(17,772)
Restructuring costs	-	-	-	(202)	(878)	(862)
Total other operating costs	(776)	(630)	(1,333)	(7,438)	(9,834)	(18,634)
Impairment of licensee receivables	-	-	-	-	-	(25,458)
Impairment of equity investment	-	-	-	-	-	(10,000)
Loss from operations	(776)	(630)	(1,333)	(7,611)	(7,796)	(51,941)
Finance income				11	14	18
Finance expense				(33)	(246)	(291)
Loss before taxation				(7,633)	(8,028)	(52,214)

Accsys Technologies PLC

Notes to the condensed financial statements for the 6 months ended 30 September 2010 continued

Analysis of revenue by geographical area:

	Unaudited 6 months ended 30 Sept 2010 €'000	Unaudited 6 months ended 30 Sept 2009 €'000	Audited Year ended 31 March 2010 €'000
Netherlands	2,068	1,517	3,112
Germany	1,300	242	1,375
China	1,221	6,295	9,129
United Kingdom	1,164	679	1,767
North America	759	307	776
Switzerland	297	27	98
Other	395	263	466
	7,204	9,330	16,723

4. Other operating costs

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

	6 months ended 30 Sept 2010 €'000	6 months ended 30 Sept 2009 €'000	Year ended 31 March 2010 €'000
Sales and marketing	1,639	2,070	3,569
Research and development	776	630	1,333
Depreciation and amortisation	927	872	1,873
Other operating costs	624	1,823	4,032
Administration costs	3,270	3,561	6,965
Restructuring costs	202	878	862
	7,438	9,834	18,634

During the period headcount reduced from 107 to 101, including a reduction as a result of the continuing restructuring of the Group's operations. The headcount reduction attributable to the restructuring resulted in one-off termination payments of €202,000 in the period relating to members of management. The total restructuring costs in the year ended March 2010 were €878,000 which related to termination payments made to staff which helped reduce headcount from 126 at the start of the previous year to 107 at 31 March 2010. It is expected that other operating costs will reduce further during the second half as a result of these headcount reductions.

5. Impairment of Assets

In June 2010 the Group agreed an amended licence agreement with Diamond Wood. Under Diamond Wood's revised business plan (which is subject to the completion of their fundraising) the capacity of the plant to be built in the first phase is significantly smaller than that previously expected.

As a result, in the year ended 31 March 2010, it was considered that net receivables (consisting of trade receivables, accrued income, prepayments and deferred income) of €25.5m relating to Diamond Wood may no longer be recoverable and were therefore provided for. This provision reflected the expected change to Diamond Wood's business plan in respect of both the timing and the total capacity of the plant that Diamond Wood may now build compared to previously expected. The impairment included €17.2m of net receivables (trade receivables, accrued income and deferred income), which was attributable to 48% of the total revenue recognised in respect of our previous contract with Diamond Wood to date. The remaining 52% had been received in cash.

In addition, pending conclusion of Diamond Wood finalising its funding arrangements, a provision for the impairment of the entire balance of the equity investment of €10m was recorded as at 31 March 2010. As at 30 September 2010, the funding had not been secured and accordingly the provision for 100% of the historical cost continues to be recognised.

Summary of Diamond Wood balances impaired:

	30 Sept 2010 €'000	30 Sept 2009 €'000	31 March 2010 €'000
Trade Receivables and accrued income	-	-	25,966
Deferred income	-	-	(8,800)
Prepayments - Licensing commission	-	-	7,467
Prepayments - Basic engineering plan	-	-	825
	-	-	<u>25,458</u>
Equity Investment	-	-	10,000
Total impairment	-	-	<u><u>35,458</u></u>

6. Loss per share

	Unaudited 6 months ended 30 Sept 2010	Unaudited 6 months ended 30 Sept 2009	Audited Year ended 31 March 2010
Basic and diluted loss per share			
Weighted average number of Ordinary shares in issue ('000)	200,603	155,993	162,237
Loss for the period (€'000)	(7,914)	(8,322)	(52,139)
Basic and diluted loss per share	<u>€(0.04)</u>	<u>€(0.05)</u>	<u>€(0.32)</u>

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.

7. Property, plant and equipment

	Freehold land €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
<i>Cost or valuation</i>				
At 31 March 2009	6,815	24,708	373	31,896
Additions	-	1,378	8	1,386
Disposals	-	(751)	(1)	(752)
At 30 September 2009	6,815	25,335	380	32,530
Additions	-	169	14	183
Disposals	-	(400)	-	(400)
At 31 March 2010	6,815	25,104	394	32,313
Additions	-	379	141	520
Disposals	-	(36)	-	(36)
At 30 September 2010	6,815	25,447	535	32,797
<i>Depreciation</i>				
At 31 March 2009	-	3,614	269	3,883
Charge for the period	-	688	52	740
Disposals	-	(90)	(1)	(91)
At 30 September 2009	-	4,212	320	4,532
Charge for the period	-	828	41	869
Disposals	-	(60)	-	(60)
At 31 March 2010	-	4,980	361	5,341
Charge for the period	-	754	28	783
Disposals	-	(6)	-	(6)
At 30 September 2010	-	5,728	389	6,117
<i>Net book value</i>				
At 30 September 2009	6,815	21,123	60	27,998
At 31 March 2010	6,815	20,124	33	26,972
At 30 September 2010	6,815	19,719	146	26,680

8. Available for sale investments

During the period ended 30 September 2009, Accsys Technologies PLC purchased an additional 8,333,334 unlisted ordinary shares in Diamond Wood for €0.48 each. This investment brought Accsys Technologies PLC's holdings in Diamond Wood to 21,666,734 shares, which represented a holding of 15.4%. 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 there is 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 cannot be calculated.

The historical cost of the unlisted shares at 30 September 2010 is €10m (2009: €10m). However, a provision for the impairment of the entire balance of €10m continues to be recorded, as at 30 September 2010 the conclusion of Diamond Wood finalising its funding arrangements was still pending.

Subsequent to the period end, Accsys received a letter from Diamond Wood which announced, among other things, that Diamond Wood had recently signed "an agreement with an Asian investor group and the subsequent imminent funding of the first Accoya® factory in Asia by the end of 2010." No further details of the agreement have been made available to us. In the event Diamond Wood completes the fund-raising, the equity investment balance may be revalued.

9. Share capital

Options over 80,000 ordinary shares were exercised during the year ended 31 March 2010 at a price of €0.46 each.

On 10 February 2010, following the publication of a prospectus, the Company issued 44,232,226 new Ordinary shares for €0.4865 each. Proceeds of €16,603,073 were received net of expenses of €1,076,000 (€139,000 of which were paid in cash with the remainder paid by way of issue of new Ordinary shares). In addition, at the same time, €4,000,000 relating to an existing loan was converted to the new Ordinary shares.

There have been no changes to share capital in the six months to 30 September 2010.

10. Post balance sheet events

Subsequent to the period end, the Group received a letter from Diamond Wood concerning the status of its funding. See note 8 for further details.

INDEPENDENT REVIEW REPORT TO ACCSYS TECHNOLOGIES PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim results for the six months ended 30 September 2010 which comprises the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity, the consolidated condensed statement of financial position, the consolidated condensed cash flow statement and the related notes.

We have read the other information contained in the interim financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim results, including the financial information contained therein, are the responsibility of and have been approved by the Directors. The Directors are responsible for preparing the interim results in accordance with the rules of both the London Stock Exchange for companies trading securities on the Alternative Investment Market and Euronext Amsterdam by NYSE Euronext which require that the interim financial statements be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim results based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of both the London Stock Exchange for companies trading securities on the Alternative Investment Market and Euronext Amsterdam by NYSE Euronext and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 interim results for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with the rules of both the London Stock Exchange for companies trading securities on the Alternative Investment Market and Euronext Amsterdam by NYSE Euronext.

INDEPENDENT REVIEW REPORT TO ACCSYS TECHNOLOGIES PLC continued

Emphasis of Matter – Going Concern

Without qualifying our conclusion, we draw your attention to the disclosures made in note 1 to the interim results concerning the Group's ability to continue as a going concern. The Group is dependent on the raising of new funds in order to fund working capital, in a timely manner in order to continue as a going concern. While the Directors are confident that the required funds will be raised, there are no binding agreements in place, therefore there is a material uncertainty over whether these funds will be raised. This, along with the matters disclosed in note 1 to the condensed financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The condensed financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Julian Frost (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

29 November 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).