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30 November 2020

Accsys Technologies PLC
("Accsys", the "Group" or the "Company")

Interim Results for the six months ended 30 September 2020

Strong sales recovery, improved profitability and good strategic progress

Accsys, the fast-growing and eco-friendly company that combines chemistry and technology to create high performance, sustainable wood building products, announces its interim results for the six months ended 30 September 2020 ("H1 FY 21").

	H1 FY 21	H1 FY 20	Change %
Total Group revenue	**€42.9m**	€44.0m	(3%)
Underlying gross profit	**€14.3m**	€12.8m	+12%
Accoya® Manufacturing margin[1]	**33.5%**	28.6%	+490bps
Underlying EBITDA[2]	**€4.3m**	€2.5m	+72%
Underlying EBIT[3]	**€1.6m**	(€0.4m)	
Underlying (loss) before tax	**(€0.1m)**	(€2.2m)	
Profit/(loss) before tax	**€1.0m**	(€1.6m)	
Period end net (debt)[4]	**(€16.3m)**	(€59.3m)	
Accoya® sales volume	**26,422m^3**	28,113m^3	(6%)

Key highlights:

- Resilient Group revenue performance supported by Accoya® sales volumes; Strong rebound and rapid recovery following the significant impact from COVID-19 in April.
- Improved profitability driven by higher average selling prices: Underlying gross margin of 33% (H1 FY20: 29%) and underlying EBITDA[2] up 72% to €4.3m.
- Accoya® business performed strongly driving an €2.8m increase in Group operating cashflow[5] to €5.4m (H1 FY20: €2.6m) together with rigorous working capital management resulting in a €8.9m reduction in Group Net Debt in the period.
- Good progress on execution of strategic growth projects:
    - World-first Tricoya® (Hull) plant construction on track to complete Q1 CY2021 with commissioning to follow; Accoya® (Arnhem) plant expansion with addition of fourth reactor on schedule.
    - Accoya® USA JV progressing well, targeting investment decision in H1 CY2021.
- Ongoing sustainability focus: Review completed with new ESG strategy and metrics published in expanded Sustainability Report[6]; further aligning to our purpose: Changing wood to change the world.

- Continued focus on growth strategy and remain on track to deliver our '5x' production capacity target by 2025.

Notes
[1] Accoya® Manufacturing margin is defined as Accoya® segmental underlying gross profit (excluding Licence income and marketing services) divided by Accoya® segmental revenue (excluding Licence income and marketing services) (See note 2 to the financial statements)
[2] Underlying EBITDA is defined as Operating profit/(loss) before Exceptional items and other adjustments, depreciation and amortisation. (See note 4 to the financial statements). Exceptional items included Government payroll related COVID-19 grants received of €0.6m
[3] Underlying EBIT is defined as Operating profit/(loss) before Exceptional items and other adjustments. (See note 4 to the financial statements).
[4] Net debt is defined as short term and long-term borrowings (including lease obligations) less cash and cash equivalents. (See note 12 to the financial statements).
[5] Group operating cashflow is Cash inflows from operating activities before changes in working capital.
[6] The ESG report is available on the Accsys website at: www.accsysplc.com/changing-the-world

Robert Harris, CEO commented:

"Accsys has delivered an excellent first half year, underpinned by continued strong demand for our products and supported by our operational agility which allowed us to adapt quickly in the face of the pandemic. Sales of our sustainable, high-performance Accoya® and Tricoya® wood products bounced back rapidly as the initial disruptions from lockdown measures eased, and as we adapted to better manage these challenges. We have built on this with continued good progression in our profitability.

"Whilst COVID-19 continues to cause uncertainty more generally and there remains a consequent risk of further disruption, the second half of the financial year has started well without the disruption experienced during the first lockdown. Strong demand has continued, with record sales levels in October whilst production is being maintained at capacity levels.

"Execution of our strategic growth plans progressed well during the period as we work to expand our production capacity to meet untapped global demand. Construction of the world's first Tricoya® production plant, in Hull, UK, remains on track and has accelerated after the initial more severe lockdown. The erection of the acetylation tower structure was completed in October. Additionally, the project to expand our Accoya® plant in the Netherlands remains on schedule. We also continue to make good progress in evaluating the construction of a facility in North America with Eastman to serve this significant and growing market.

"Sustainability sits at Accsys' core and we have today published our Sustainability Report, setting out our ESG strategy, framework and priorities aligned to our purpose: Changing wood to change the world.

"Our IP and processes ensure that our products benefit from strong competitive advantages and are aligned to the global shift in consciousness towards sustainability. Looking ahead, we continue to see significant growth potential and opportunity for expansion".

There will be a presentation relating to these results at 10:00am UK time on 30 November 2020. The presentation will take the form of a webcast and conference call, details of which are below:

Webcast link (for audio and visual presentation):
Click on the link below or copy and paste ALL of the following text into your browser:
https://edge.media-server.com/mmc/p/x5ua67pi

Conference call details (audio only – not recommended for use in conjunction with the webcast link):

Event Passcode: **5193925**

Local - United Kingdom: +44 (0) 2071 928338
National free phone - United Kingdom: 0800 279 6619
Local - Amsterdam, Netherlands: +31 (0) 207 956 614
National free phone - Netherlands: 0800 023 5015
Local - USA: +1 6467 413 167
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Ends

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Introduction

I am very pleased to report results for the six months ended 30 September 2020 that demonstrate the resilience of our business and the continuing strong demand for our products. We have also made good progress in executing our growth strategy and our core purpose of "Changing wood to change the world" as well as building our organisational capability.

In the period we re-launched our key values. Firstly, we value ambition and our results reflect our determination to grow our company, and the demand and the sale of our products. Secondly, we respect and value all stakeholders. COVID-19 remains a global event that challenges all organisations to reflect on how they support and ensure the health and well-being of their people, and I am proud of the actions Accsys has and will continue to take in this regard. Finally, we are committed to safety, quality and sustainability.

Today we are also launching our Sustainability Report, representing the first formal output from our on-going programme to comprehensively review and measure our approach to Environment, Social and Governance ('ESG') matters. This programme will ensure that these key matters are aligned with our corporate purpose and the management of them is embedded in our organisation as we continue our growth journey.

We remain committed to our strategic priorities that will enable us to achieve our goals and fulfil the substantial growth potential in our markets. In the period, we have made good progress in our development of new production capacity and global expansion, both in our Accoya® plant expansion at Arnhem, Netherlands, and in our Tricoya® new plant construction at Hull, UK, as well as in our US and Malaysian market expansion plans.

COVID-19

Our ongoing priority in managing the effects of COVID-19 across our business is to protect the health and safety of our people. The protocols we have introduced for our operational site-based employees include changing site workflow practices and shift patterns. This has given us greater adaptability in managing COVID-safe government working protocols than previously. The remainder of our workforce continues to be successfully flexed to home working around the applicable government rules and employees' personal circumstances. I am proud of the way our people have handled the challenges presented by COVID-19 and how we have together adapted and responded to these dynamic times.

Preserving our balance sheet and ability to execute our growth plans remains a key focus. COVID-19 and the measures taken by governments to reduce the spread of the virus caused lower than previously anticipated sales during a period when Accsys was part-way through the completion of significant capacity expansion projects. Ensuring that we can continue to allocate our capital to these long-term growth projects remains an important area of focus. This has been enabled through strong cost and working capital management including reducing third party costs and non-essential hiring and temporary salary reductions. Together these have helped reduce our net debt in the period by €8.9m.

As previously announced, Accoya® sales recovered quickly after the initial pandemic disruption in April, due to the continued strength in demand for the product. We have been agile in our operations, redirecting sales volumes geographically to mitigate disruption and optimising our annual site shutdown timing around COVID-19. We continued to work on developing market awareness and long-term demand for our products. Both Accoya® and Tricoya® are products that are and will increasingly disrupt traditional wood building product markets. We are starting to move beyond traditional B2B marketing and helping end-consumers directly understand their product substitution choices and leading them away from less sustainable and lower performance materials. This will help grow underlying market demand further and increase brand recognition, which we believe, will help drive sales volumes as our future increased production capacity comes online.

Summary of results

The Group has delivered excellent financial performance against the backdrop of COVID-19, with strong EBITDA growth and strong cash-flow driven by our Accoya® business.

Total revenue for the six months ended 30 September 2020 reduced by 3% to €42.9m (H1 FY20: €44.0m). Accoya® sales volumes of 26,422 cubic metres represent a 6% reduction compared to last year due to COVID-19 impacting sales in April when customer supply chains were initially disrupted. Sales volumes recovered strongly since then with demand exceeding our production capacity in the latter part of the period, a trend which has continued into the second half of the year.

Average sales prices improved as a result of price increases for Accoya® customers from 1 January 2020 and the taking over of sales directly to the former Cerdia region from 1 April 2020. This improved pricing helped underlying gross margin to increase to 33% compared to 29% last year, when also taking account of €0.4m of licence income relating to the new Accoya® joint venture with Eastman in the USA.

As a result, and with an on-going focus on operating costs, which remained relatively stable in the period, group underlying EBITDA increased by 72% to €4.3m (H1 FY20: €2.5m). Gross contribution continues to be impacted by the proportion of sales used towards the production of Tricoya® ahead of the Hull plant being completed, with the proportion increasing from 23.5% to 27.5% of the total volume sold in the period. This increase in part reflected the ability to redirect production volumes during the start of the period which was most impacted by COVID-19.

Net debt decreased to €16.3m at 30 September 2020 from €25.2m as at 31 March 2020. The €8.9m decrease was due to €9.7m in-flow from operating activities (H1 FY20: €2.6m) reflecting the strong operational cashflow being generated by the Group together with positive changes in working capital, helped by careful management of inventory and receivables given the uncertainty arising from COVID-19. Investment in property, plant and equipment included additions excluding capitalised interest of €9.8m predominantly related to the construction progress on the Tricoya® plant in Hull, offset by a €6.1m movement in capex payables, due to the milestone nature of the construction. A €3.2m non-cash movement decreasing Net debt was also reflected, with the Cerdia termination fee offset against the Cerdia loan from the start of April 2020, as previously reported.

Accoya® – Global performance

	Six months ended 30 September 2020	**Six months ended 30 September 2019**	**Change**	**Year ended 31 March 2020**
Accoya® sales volume – cubic metres	26,422	28,113	(6%)	57,842
Underlying Accoya® segmental revenue	€41.8m	€43.7m	(4%)	€90.0m
Accoya® sales revenue	€38.7m	€40.2m	(4%)	€82.8m
Licence income[1]	€0.4m	-		€3.2m
Acetic acid sales	€2.6m	€3.3m	(21%)	€6.7m
Manufacturing margin – %	33.5%	28.6%	+4.9%	30.0%
Underlying EBITDA	€9.2m	€7.6m	+21%	€16.9m
Underlying EBIT	€7.0m	€5.3m	+32%	€12.6m

1 – FY20 Licence income was reported as exceptional income and relates to the Cerdia termination agreement

Overall, the Accoya® business continued to perform strongly in H1 FY21 with strong EBITDA growth and a good cash flow performance.

Revenue from the sale of Accoya® decreased by 4% to €38.7m in the first half of the year compared to the equivalent period in the previous year. This was due to a 6% reduction in Accoya® volumes sold, largely as a result of the COVID-19 disruption to our sales channels in the first quarter. Sales returned quickly to pre-COVID-19 levels in the second quarter and demand is now exceeding our production capacity with strong underlying demand for Accoya®.

The reduction in volumes was partially offset by an increase in the average sales price. Price rises were implemented for all customers, including all Accoya® customers from 1 January 2020, and have been maintained through the COVID-19 period. From 1 April 2020, we have successfully transitioned the European markets into our direct sales and marketing channels, which were previously under exclusive licence to Cerdia. This has also supported improved profitability by the removal of previous discount arrangements with Cerdia.

A further price increase has been announced to our customers in the final quarter of this calendar year to reflect anticipated raw material cost increases and strong product demand.

Sales volume by region	**H1 FY21 m3**	**H1 FY20 m3**	**Increase %**
UK & Ireland	5,878	8,048	(27%)
Rest of Europe	7,102	6,236	14%
Tricoya®	7,275	6,620	10%
Americas	2,231	3,111	(28%)
Benelux	2,461	2,010	22%
Asia-Pacific	1,316	1,880	(30%)
RoW	159	208	(24%)
	26,422	28,113	(6%)

Sales by region varied as some regions particularly in the UK and USA which were impacted more significantly by COVID-19 in the first quarter than others. This was partially offset by redirecting sales to less affected markets in this period, including to Germany, the Nordic region and to our Tricoya® customers.

The transition of Cerdia's customers to Accsys on 1 April 2020 was implemented smoothly and this also enabled us to implement a sales and marketing campaign in Germany stimulating new sales despite it then being a very uncertain time due to COVID-19.

As noted above, sales to our Tricoya® licensees for the production of Tricoya® panels increased resulting in 27.5% of total sales volumes (H1 FY20: 23.5%). Together with price increases, this resulted in revenue to Tricoya® customers increasing by 22%.

The first half of the year included our annual maintenance shut down for our Accoya® plant which was completed successfully and ahead of schedule to take advantage of reduced production levels when COVID-19 was causing significant uncertainty. Following this, we have operated all three Accoya® reactors at full capacity to meet demand.

Accoya® manufacturing gross margin increased to 33.5% (H1 FY 20: 28.6%). Most of the increase was due to the price increases referred to above as well as changes in the sales mix.

Raw wood input prices remained relatively stable in the period, however the cost of acetic anhydride, our key chemical raw material, reduced compared to last year as a result of the reduction in oil prices globally. We anticipate some increases in raw material prices in the second half of the year, although expect this to be met by the sales price increases already announced to our customers.

Accoya® strategic progress

We have continued to progress our planned expansion of Accoya® production capacity at our existing Accoya® plant in Arnhem by 33% to 80,000 cubic metres by adding a fourth reactor. An engineering, procurement and management services contract for the project has been entered into and various workstreams are underway including detailed engineering. Key long lead-time equipment orders have been placed including the reactor itself. Construction is targeted to commence once the necessary permits are in place. The broader expansion project also includes increased chemical storage and a planned upgrade of our wood handling equipment, which is also being progressed. The expansion remains on track to be operationally complete by the end of Q1 calendar year 2022. Our plans on this project will provide Accsys with greater control over timing, should COVID-19 cause unexpected disruption impacting our sales more significantly in the future.

In August 2020 we formed a joint venture with Eastman Chemical Company (NYSE: EMN), a world leader in the production of acetyls, in respect of a proposed Accoya® plant in USA. This represents the first stage of our operational expansion outside of Europe and into the largest market opportunity for Accoya®. It would allow us to replicate our established Accoya® business and technology geographically into a market with significant potential and represents a compelling commercial opportunity.

The JV and an associated licence agreement with the new JV company, "Accoya USA LLC" were the first formal step in the planning for an Accoya® plant in the USA. Work is now progressing in a number of areas including developing site-specific engineering plans and detailed capex estimates, the formalising of working protocols between the parties as well as examining financing options. We expect to complete these workstreams in the first half of the 2021 calendar year, enabling a full investment decision to be made in the next financial year.

Tricoya®

Strategic progress

Our construction of the world's first Tricoya® plant at Hull made good progress in the period and remains on track to be completed in Q1 calendar year 2021, followed by commissioning and to be operational in the first half of calendar year 2021.

As previously reported, construction work on the Tricoya® plant in Hull was impacted by COVID-19. Since the initial disruption on site work has accelerated, and we continue to work with the lead contractor to ensure construction work is completed as quickly and as safely as possible. We reached an important milestone in October when the top three floors of the nine-floor acetylation tower were lifted into place. Remaining work to complete the construction, including mechanical and electrical work, is also progressing well with the number of staff on site having increased.

We continue to work with the lead engineering contractor to plan the necessary commissioning activities which will follow this and remain confident that we will be able to benefit from the additional capacity from the first part of the new financial year.

We continue to work towards minimising costs on the project and to ensure that additional costs arising due to the unprecedented nature of the delays, are not material to the project as a whole. Our planning allows for the plant to ramp-up production to full capacity over approximately three years following start-up. This reflects that this is the first plant of its type and that various modifications and operating improvements may be identified once the plant is operational. Once at capacity, we continue to expect that a gross margin of approximately 40% should be achievable. This is higher than the Accoya® plant gross margin due to lower wood input costs and a higher level of automation attributable to the continuous process used for the Tricoya® process.

We are also exploring the opportunity to expand Tricoya® production into Malaysia. A feasibility study continues to be progressed with PETRONAS Chemicals Group Berhad for the construction of a Tricoya® plant in Malaysia. As previously reported, the full decision to progress with the plant will follow after the Hull Tricoya® plant becomes operational in order to ensure that any engineering learnings can be factored into the Malaysian plant design.

Following the announcement by BP, a minority investment partner in the Tricoya® consortium, in June 2020 to sell its petrochemicals business to Ineos, we have started the process of discussing future plans with Ineos once the changeover which includes BP's Tricoya® stake is complete, and we look forward to working with Ineos in the future.

Group Strategic Development

With the significant global market opportunity for our products, building additional production capacity in global markets is a key element of our growth strategy. In the first half of FY2021, we have continued to develop the group by investing in people and processes to better support our growth including through a programme focussing on operational effectiveness and addressing areas identified from the employee engagement survey carried out at the end of last financial year. We are also developing processes and systems to support our growth and ensure that the group can expand effectively including into new locations.

While developing and building world-first, market-disruptive technology has its inherent challenges, as an organisation we are increasing our focus on the execution of our construction and other development projects. Our construction planning and project management approaches are incorporating more detailed engineering principles in order to improve delivery.
The launch at the end of the last financial year of Accoya® Color, a true colour wood product that is tinted throughout, has gone well with the first commercial orders received in the period and with increasing demand. While the production ramp-up and limited Accoya® stock availability will limit near term sales as anticipated, we expect increased Accoya® Color sales in the medium term.

Intellectual property

Accsys continues to invest heavily in growing, researching, developing and protecting its valuable portfolio of intellectual property and confidential information. We have recently reviewed and implemented new improved procedures seeking to safeguard as much as possible our proprietary information and are working with teams across the Group to ensure better understanding of, and training on, our confidentiality protocols.

Accsys's patent portfolio totals 330 patent family members, covering 27 distinct inventions in over 40 countries. Over 60% of the patent family members have now been granted, including 17 of the 27 distinct inventions in Europe, USA or China. By using a combination of patenting and know-how we continue to invest in the generation and protection of core technologies associated with our current and future plants for the production of Accoya® and Tricoya® wood products.

Our principal trademark portfolio covers our brands Accoya®, Tricoya®, the Trimarque device and Accsys®, protected by registration in over 60 countries, with recent trademark activity focused on increasing the strength of those brands, and securing protection for the new corporate logo and our 'changing wood to change the world' strapline.

Accsys continues to maintain an active watch on the commercial and IP activity of third parties to ensure its IP rights are not infringed, and to identify any IP which could potentially hinder our commercial activity. Accsys has recently conducted an additional worldwide patent search which has reconfirmed our freedom to operate position, as we continue our Accoya® joint venture in the United States and our plans for a Tricoya® joint venture in Malaysia.

Health and safety

As Accsys continues to grow, safety remains one of our core values and an area we have worked hard to develop improvement in our safety process, policies and metrics such as lost time incident rates.

Unfortunately we have recorded an incident resulting in a serious injury to one of our contractors. The incident, involving a routine operation at the Arnhem production plant, has been investigated and root cause has been established. A number of important actions to further improve protocols have arisen from it.

The incident serves as a reminder that health and safety of our employees, partners, contractors and other associates and stakeholders must remain the top priority as Accsys continues to grow to more sites and geographies.

Environment, Social and Governance

We are very pleased to launch our Sustainability Report following the commencement of our project to enhance and embed ESG practices in the group. While sustainability lies at the heart of Accsys given the green credentials of our products, our ESG programme began with a materiality assessment, which included a stakeholder engagement survey, to help us identify the most important topics relevant to Accsys and our stakeholders.

We have since developed the first steps of putting in place more detailed measures to enable us to monitor and report our progress and these are set out in the Sustainability Report. We believe that this will help our stakeholders to better understand the positive impact Accsys has but will also enable us to frame our ambitions for the future in a way which will provide greater value as we grow. In our report, we identify the 10 issues and impact areas that are most relevant and important to us as an organisation, and to our stakeholders, following the extensive research and stakeholder consultation process. Under these 10 issues we have identified over 30 themes and goals and developed action plans.

Our 10 key issue and impact areas are:

- Governance, management & advocacy: We strive for first-class governance, management and stakeholder relationships to sustain our growing scale.
- Health & safety: Targeting zero harm by practising continuing health and safety excellence, improved monitoring, and embedding the importance of health and safety in our company culture.
- People & wellbeing: Ensuring the wellbeing of our people through employee engagement, diversity and inclusion, development and talent management, and rewards and recognition.
- Innovation & technology: Innovating and utilising technology with sustainability and quality as our goals, going above and beyond to make a positive impact on a global scale.
- Fair & ethical conduct: Upholding our commitment to high ethical standards, ensuring our processes and procedures are strengthened as we continue to grow.
- Sustainable & quality products: Ensuring our products continue to meet high standards of quality and sustainability by achieving accreditations and certifications – while always meeting our customers' needs.
- Responsible sourcing: Sourcing timber responsibly, working with our suppliers to ensure our needs are met and forging new partnerships to ensure the secure supply of sustainable materials.
- Energy & climate change: Mitigation, adaptation and life-cycle impact – commitment to monitoring, managing and reducing the overall negative impacts of our operations, while maximising the beneficial impacts of our business and products on the world.
- Ecological footprint: Working to minimise the ecological impact of our operations, particularly focusing on reducing water and waste, and adopting a circular economy approach to materials use instead of 'take-make-waste'.
- Society & communities: Creating a positive environmental and social impact through a variety of activities aligned with our purpose of "Changing wood to change the world".

To make sure these issues are core to our ongoing growth, success and overall strategic development, we have aligned these issues to our purpose, which together form the framework for our ESG strategy. Under each of these 10 issues, we have identified an expanded set of reporting metrics, and a timeline for the ongoing development and expansion of our ESG activities.

Outlook

I have now been with Accsys for a year. While COVID-19 has made it a dynamic first 12 months as we navigated the changing landscape, I have been incredibly impressed by the commitment, talent and ambition of our people here at Accsys. As a company, there is a deep passion and belief in our products and purpose, and strong skill and experience across the organisation. This will support us as we propel forwards to execute our growth plans and achieve our goals.

The resilient performance of our business in such a challenging period confirms the underlying strength of our products and the significant demand and growth opportunity ahead of us.

While COVID-19 continues to cause uncertainty more generally and there remains a consequent risk of further disruption, the second half of the financial year has started well without the disruption experienced during the first lockdown. Strong demand has continued, and production is being maintained at capacity levels. October saw record sales levels with demand continuing through November. In addition, construction activity in Hull has also continued throughout this period.

Looking further ahead, we continue to focus on our key strategic pillars of growing product demand, practicing manufacturing excellence, developing our technology and building our organisational capability.

We continue to see significant long-term growth potential and significant opportunity for expansion. We remain on track to deliver our '5x' production capacity growth target by 2025, by increasing our global production capacity from 40,000 cubic metres in 2019 to the equivalent of 200,000 cubic metres.

The next additional capacity is expected to come on stream early in the next financial year, with the Hull plant creating much needed dedicated Tricoya® capacity, but also freeing up production capacity in the Accoya® plant in Arnhem. This would bring us to a combined 100,000 m^3 equivalent annual production capacity once the Hull plant is live. The 4th Accoya® reactor is on track to then increase total group capacity to the equivalent of 120,000 cubic metres by March 2022, which will be double today's capacity. The potential Accoya® plant in the USA provides a significant opportunity to target a key growth market by providing us with a second Accoya® plant. The progression of the Group's operations into new geographies also requires us to invest more in our organisational capability to ensure we maintain our growth trajectory.

Looking at our profitability, following our tight control and temporary reductions in costs in H1 FY21 around COVID-19, we expect our cost base to increase marginally in H2 FY21 as we resume some initiatives and spending to support growth. Longer term, we expect to continue to achieve improving profitability as each step in our growth journey allows us to significantly increase the level of sales and take advantage of economies of scale associated with higher operating levels.

While being mindful of the challenges the pandemic presents, I remain confident in the significant long-term growth opportunities ahead and in our ability to execute our strategy in pursuit of sustainable growth.

Rob Harris
Chief Executive
27 November 2020

Introduction

Accsys made excellent financial progress in the first half of the 2021 financial year. The Group delivered a resilient revenue and Accoya® sales volume performance during the first half, with a strong and rapid recovery following the significant impact from COVID-19 in April on sales. Despite the challenges of COVID-19, we were pleased to deliver an increase in underlying EBIT of €2.0m to €1.6m (H1 FY20: loss of €0.4m), principally driven by a 490bps increase in our Accoya® manufacturing margin to 33.5% (HY1 FY20 : 28.6%).

The Accoya® business continued to perform strongly driving a €2.8m increase in Group operating cashflow before working capital changes to €5.4m (H1 FY20: €2.6m) resulting in a €8.9m reduction in Group Net Debt in the period.

Statement of comprehensive income

Group revenue decreased by 3% to €42.9m for the six months ended 30 September 2020 (H1 FY20: €44.0m). Accoya® sales volumes were 6% lower, but recovered strongly following the impact to sales volumes in April 2020 (down 35% year on year) resulting from COVID-19 disrupting our distribution channels, with customer demand exceeding our production capacity by the end of the period. The lower sales volumes were partially offset by higher average selling prices resulting in revenue from Accoya® wood decreasing by only 4% to €38.7m. The Group benefited from full price sales to the former "Cerdia" region during the period, following the early termination of the commercial agreements with Cerdia International Gmbh ("Cerdia") effective from 1 April 2020.

Included within Accoya® wood revenue are sales for the manufacture of Tricoya® panels, which increased by 22% to €8.3m (H1 FY20: €6.8m). These sales are used to develop the market for Tricoya® products, ahead of the start-up of the Tricoya® plant, currently under construction in Hull.

Tricoya® panel revenue of €1.1m (H1 FY20: €0.1m) represented sales of Tricoya® panels, purchased from our Tricoya® licensees, to sell into other geographies in order to provide initial market seeding material for the global Tricoya® market.

Licence revenue of €0.4m was attributable to the licence agreement entered into with Accoya USA LLC, a JV company formed with Eastman Chemical Company, with the intention to construct and operate an Accoya® wood production plant to serve the North American market. Accoya USA LLC is accounted for as a joint venture and equity accounted for in these interim results. Licence revenue of €0.3m was reflected in our Tricoya® segment in the prior year period.

Other revenue of €2.7m (H1 FY20: €3.5m) predominantly relates to the sale of acetic acid, with the decrease on the prior year period principally due to lower average acetic acid prices and lower production levels during the period.

Underlying Gross margin increased from 29.0% to 33.3% compared to the prior year period, with the Accoya® manufacturing gross margin also increasing by 490bps to 33.5%. These increases were principally driven by higher average selling prices but also due to lower average net acetyls prices. 28% of Accoya® sold in the period was sold at discounted prices (for Tricoya® panels manufacture). This compared to 46% in the prior year which included sales to Cerdia and for Tricoya®, noting the commercial agreements with Cerdia were terminated with effect from 1 April 2020.

Underlying other operating costs excluding depreciation and amortisation, decreased from €10.3m to €10.0m. This decrease was largely due to COVID-19 related temporary salary reductions for employees (including for the directors and senior management team) amounting to €0.3m. These mitigating actions together with careful cost management during the period more than offset the increase in average headcount of 14 compared to the prior year period.

Depreciation and amortisation charges were largely in line with the prior year.

Underlying finance expenses decreased to €1.7m (H1 FY20: €1.8m) in line with lower average Borrowings.

Exceptional items in the period included COVID-19 related staff support funding from the Netherlands and UK governments totalling €0.6m. The government support schemes were claimed as a result of the significant reduction in revenue experienced in the first quarter as well as the delay experienced in the Tricoya® plant construction project, both caused by COVID-19. These support mechanisms and the above-mentioned salary reductions had ceased by the beginning of August 2020.

Other adjustments for the period include a foreign exchange gain of €0.5m (HY1 FY20: €0.6m) on loans held in pounds sterling with BGF and Volantis and foreign exchange differences on cash held in pounds sterling, which is used primarily to act as a cash flow hedge against future sterling project expenditure on the new plant being constructed in Hull and to a lesser extent, as a cashflow hedge against future sterling corporate costs. The effective portions of the cash flow hedges are recognised in Other comprehensive income.

Underlying loss before tax improved by €2.1m to €0.1m loss, from a loss before tax in the prior year period of €2.2m. After taking into account exceptional items and other adjustments, profit before tax increased by €2.6m to €1.0m (H1 FY20: loss of €1.6m).

The tax expense of €0.6m (H1 FY20: €0.1m) reflects the improved profitability of the Group.

Cash flow

Cash flow generated from operating activities of €9.7m compared to €2.6m in the prior year period, reflects the strong operational cash flow being generated by the Group and close working capital management during the period as a result of the uncertainty caused by COVID-19. As a result, we anticipate working capital increasing in the second half of the year, in particular as inventory levels are expected to increase to support the expected increase in production capacity coming on stream.

At 30 September 2020, the Group held cash balances of €43.0m, representing a €5.7m increase in the period from 31 March 2020. The cash increase in the period is attributable to the cash flow generated from operating activities referred to above, partially offset by investments in tangible fixed assets of €3.7m.

Property, plant and equipment additions of €10.1m (H1 FY20: €6.7m) in the period consisted of the construction of the Tricoya® plant build in Hull (€8.7m) reflecting the construction progress made on the project and initial costs related to the 4th Reactor expansion project in Arnhem (€0.8m), with the prior year period primarily relating to construction on the Tricoya® plant build in Hull.
The difference between the property, plant and equipment additions of €10.1m and capex investment in the Condensed consolidated statement of cash flow of €3.7m principally relates to an increase in capex payables of €6.1m reflecting the milestone nature of the construction, with the capex investment amount reflecting actual payments made in the period.

The Group also received €2.6m of equity during the period from our Tricoya® consortium partners relating to the funding of the Tricoya® plant in Hull and other Tricoya® related activities.

Loan repayments and interest payments were €1.9m during the period (H1 FY20: €2.7m), with the decrease compared to last year principally due to repayments of €0.5m relating to the ABN AMRO €14m term loan being deferred to the end of the loan term, as a COVID-19 action taken by ABN AMRO together with lower interest payments on the Cerdia loan, following the €3.2m reduction in the loan balance from 1 April 2020.

Trade and other receivables increased marginally to €10.6m (H1 FY20: €10.4m), with a decrease in trade receivables and VAT receivables balances more than offset by an increase in other receivables.

Total inventory was marginally lower in the period at €15.7m (H1 FY20: €15.9m) with a €1.3m decrease in raw materials partially offset by a €1.1m increase in finished goods and work in progress inventory. Levels of Accoya® inventory remain low, with the finished goods balance representing approximately three weeks of sales.

The increase in trade and other payables to €24.8m (H1 FY20: €19.1m) is primarily due to accruals associated with the construction of the Hull plant with actual cash payments being lower, reflecting the timing of milestone payments in relation to construction.

Financial position

Amounts payable under loan agreements decreased to €54.5m (H1 FY20: €57.6m) primarily relating to the termination fee associated with the early termination of the Cerdia commercial agreements, which was deducted from the Cerdia loan on 1 April 2020.

Net debt decreased by €8.9m in the current period to €16.3m due to the strong cashflow generated from operating activities (€9.7m) referred to above partially offset by Capex investment of €3.7m.

The Group's balance sheet remains robust, following the Group's €46.3 million (before expenses) capital raise in December 2019, the careful management of working capital in the first half of the financial year and the cash generated from operations. The Group held cash balances of €43.0m at 30 September 2020, as well as €5.2m headroom on the ABN AMRO committed working capital facility and €8.2m headroom on the Tricoya® RBS €17.2m (€14.6m net) facility.

We remain very confident as to the Group's long-term prospects, our business fundamentals and the significant opportunities for our sustainable products.

Risks, uncertainties & Brexit

As described on page 49 to 55 of the 2020 Annual report, the business, financial condition or results of operations of the Group could be adversely affected by a number of risks. The Group's systems of control and protection are designed to help manage and control risks to an appropriate level rather than to eliminate them.

These specific principal risks and related mitigations (as described in the 2020 Annual report) as currently identified by Accsys' risk management process, have not changed significantly since the publication of the last Annual Report.

These risks relate to the following areas:
Health, Safety & Environment; Hull plant; COVID-19; Sale of Products; Manufacturing; Expansion; IT; Supply of raw materials; Licensing/Partnering; Finance; Litigation & disputes; Protection of Intellectual Property & trade secrets; Personnel; Governance, Compliance & Law; Brexit and Investor & Public relations.

It is noted that risks associated with health and safety remains high, in particular in light of the incident described in the CEO's review. In addition, the risks associated with Brexit remain under close review in light of the absence of a trade deal although we do not anticipate a significant impact on the group's activities in the event that the transition period ends without a trade deal being reached.

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, and at least 12 months from the date these financial statements are approved.

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future taking into account the banking and finance facilities which are currently in place (See Note 12 for details of these facilities) and the possible further impact of COVID-19. The Directors have also reviewed a severe but plausible downside scenario with reduced sales volumes and lower gross margin. 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 with the collection of on-going working capital items in line with internally agreed budgets. The Directors' have also considered the level and timing of capital expenditure required in relation to the new plant in Hull which is currently being built and further expansion of the Arnhem operation noting that the full forecast project cost has not yet been committed to.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control and on this occasion with the continued heightened risk that COVID-19 entails, that there is no material uncertainty. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to ensure on-going liquidity including reducing/deferring costs in some discretionary areas as well as larger capital projects if necessary.

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

William Rudge
Finance Director
27 November 2020

Directors responsibility statement

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Angus Dodwell
Company Secretary
27 November 2020

Accsys Technologies PLC

Condensed consolidated statement of comprehensive income for the six months ended 30 September 2020

	Note	Unaudited 6 months ended 30 Sept 2020 €'000 Underlying	Unaudited 6 months ended 30 Sept 2020 €'000 Exceptional items & other adjustments*	**Unaudited 6 months ended 30 Sept 2020 €'000 Total**	Unaudited 6 months ended 30 Sept 2019 €'000 Underlying	Unaudited 6 months ended 30 Sept 2019 €'000 Exceptional items & other adjustments*	**Unaudited 6 months ended 30 Sept 2019 €'000 Total**	Audited Year ended 31 March 2020 €'000 Underlying	Audited Year ended 31 March 2020 €'000 Exceptional items & other adjustments*	**Audited Year ended 31 March 2020 €'000 Total**
Accoya® wood revenue		38,676	-	38,676	40,161	-	40,161	82,836	-	**82,836**
Tricoya® panel revenue		1,110	-	1,110	58	-	58	512	-	**512**
Licence revenue		402	-	402	280	-	280	293	3,200	**3,493**
Other revenue		2,745	-	2,745	3,494	-	3,494	7,268	-	**7,268**
Total revenue	2	42,933	-	**42,933**	43,993	-	**43,993**	90,909	3,200	**94,109**
Cost of sales		(28,609)	230	**(28,379)**	(31,184)	-	**(31,184)**	(63,402)	-	**(63,402)**
Gross profit		14,324	230	**14,554**	12,809	-	**12,809**	27,507	3,200	**30,707**
Other operating costs excluding depreciation and amortisation		(10,004)	347	**(9,657)**	(10,339)	2	**(10,337)**	(20,540)	(165)	**(20,705)**
EBITDA		**4,320**	**577**	**4,897**	**2,470**	**2**	**2,472**	**6,967**	**3,035**	**10,002**
Depreciation and amortisation		(2,765)	-	**(2,765)**	(2,906)	-	**(2,906)**	(5,603)	-	**(5,603)**
Total other operating costs	3	(12,769)	347	**(12,422)**	(13,245)	2	**(13,243)**	(26,143)	(165)	**(26,308)**
Operating profit/(loss)		1,555	577	**2,132**	(436)	2	**(434)**	1,364	3,035	**4,399**
Finance income		1	-	**1**	-	-	**-**	-	-	**-**
Finance expense		(1,657)	485	**(1,172)**	(1,770)	612	**(1,158)**	(3,517)	626	**(2,891)**
Share of net profits of joint ventures accounted for using the equity method	14	-	-	**-**	-	-	**-**	-	-	**-**
Profit/(loss) before taxation		(101)	1,062	**961**	(2,206)	614	**(1,592)**	(2,153)	3,661	**1,508**
Tax expense	5	(587)	-	**(587)**	(65)	-	**(65)**	(454)	(177)	**(631)**
Profit/(loss) for the period		(688)	1,062	**374**	(2,271)	614	**(1,657)**	(2,607)	3,484	**877**
(Loss)/gain arising on translation of foreign operations		(153)	-	**(153)**	3	-	**3**	(11)	-	**(11)**
(Loss) arising on foreign currency cash flow hedges		-	(428)	**(428)**	-	(300)	**(300)**	-	(280)	**(280)**
Total other comprehensive (loss)/income		(153)	(428)	**(581)**	3	(300)	**(297)**	(11)	(280)	**(291)**
Total comprehensive (loss)/gain for the period		(841)	634	**(207)**	(2,268)	314	**(1,954)**	(2,618)	3,204	**586**
Total comprehensive loss for the year is attributable to:										
Owners of Accsys Technologies PLC		(266)	763	**497**	(1,687)	383	**(1,304)**	(1,080)	3,204	**2,124**
Non-controlling interests		(575)	(129)	**(704)**	(581)	(69)	**(650)**	(1,538)	-	**(1,538)**
Total comprehensive (loss)/gain for the period		(841)	634	**(207)**	(2,268)	314	**(1,954)**	(2,618)	3,204	**586**
Basic and diluted profit/(loss) per ordinary share	6	€(0.00)		€0.01	€(0.01)		€(0.01)	€(0.01)		**€0.02**

The notes set out on pages 19 to 35 form an integral part of these condensed financial statements.
* See note 4 for details of exceptional items and other adjustments.

Accsys Technologies PLC

Condensed consolidated statement of financial position at 30 September 2020

	Note	Unaudited 6 months ended 30 Sept 2020 €'000	Unaudited 6 months ended 30 Sept 2019 €'000	Audited Year ended 31 March 2020 €'000
Non-current assets				
Intangible assets	8	10,882	10,841	10,986
Property, plant and equipment	9	130,273	108,165	122,123
Right of use assets		4,273	4,625	4,536
Investment in joint venture	14	470	-	-
		145,898	123,631	137,645
Current assets				
Inventories		15,678	15,900	16,932
Trade and other receivables		10,560	10,414	15,308
Cash and cash equivalents		42,967	3,301	37,238
Corporation tax receivable		252	417	283
FX derivative asset		-	21	-
		69,457	30,053	69,761
Current liabilities				
Trade and other payables		(24,803)	(19,069)	(16,867)
Obligation under lease liabilities		(857)	(889)	(859)
Short term borrowings	12	(6,201)	(6,059)	(5,265)
Corporation tax payable		(1,271)	(193)	(640)
FX derivative liability		(129)	-	(330)
		(33,261)	(26,210)	(23,961)
Net current assets		36,196	3,843	45,800
Non-current liabilities				
Obligation under lease liabilities		(3,913)	(4,111)	(4,262)
Other long term borrowing	12	(48,298)	(51,528)	(52,048)
		(52,211)	(55,639)	(56,310)
Total net assets		129,883	71,835	127,135
Equity				
Share capital	10	8,213	5,900	8,114
Share premium account		186,383	145,429	186,390
Other reserves	11	112,928	109,221	112,551
Accumulated loss		(212,969)	(218,234)	(214,394)
Own shares		(36)	-	-
Foreign currency translation reserve		(121)	46	32
Capital value attributable to owners of Accsys Technologies PLC		94,398	42,362	92,693
Non-controlling interest in subsidiary		35,485	29,473	34,442
Total equity		129,883	71,835	127,135

The notes set out on pages 19 to 35 form an integral part of these condensed financial statements.

Accsys Technologies PLC

Condensed consolidated statement of changes in equity for the six months ended 30 September 2020

	Share capital Ordinary	Share premium	Other reserves	Own Shares	Foreign currency trans-lation reserve	Accumulated loss	Total equity attributable to equity shareholders of the company	Non-Controlling interests	Total Equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 30 Sept 2019 (unaudited)	5,900	145,429	109,221	-	46	(218,234)	42,362	29,473	71,835
Total comprehensive (expense)/gain for the period	-	-	20	-	(14)	3,421	3,427	(888)	2,539
Share based payments	-	-	-	-	-	419	419	-	419
Shares issued	2,214	-	-	-	-	-	2,214	-	2,214
Premium on shares issued	-	44,281	-	-	-	-	44,281	-	44,281
Share issue costs	-	(3,320)	-	-	-	-	(3,320)	-	(3,320)
Issue of subsidiary shares to non-controlling interests	-	-	3,310	-	-	-	3,310	5,857	9,167
Balance at 31 March 2020	8,114	186,390	112,551	-	32	(214,394)	92,693	34,442	127,135
Total comprehensive (expense)/gain for the period	-	-	(428)	-	(153)	1,078	497	(704)	(207)
Share based payments	-	-	-	-	-	410	410	-	410
Shares issued	99	-	-	(36)	-	(63)	-	-	-
Premium on shares issued	-	-	-	-	-	-	-	-	-
Share issue costs	-	(7)	-	-	-	-	(7)	-	(7)
Issue of subsidiary shares to non-controlling interests	-	-	805	-	-	-	805	1,747	2,552
Balance at 30 Sept 2020 (unaudited)	8,213	186,383	112,928	(36)	(121)	(212,969)	94,398	35,485	129,883

See note 11 for details concerning other reserves.

Shares issued represent a total of 1,259,449 and 727,250 shares issued to an Employee Benefit Trust ('EBT') at nominal value on 12 May 2020 and 29 June 2020 respectively.

1,259,449 shares were issued and allotted following the vesting in August 2016 and recent exercise of nil cost options, granted in 2013 under the Company's 2013 Long Term Incentive Plan.

727,250 shares were issued as part of the Company's reward, incentivisation and retention strategy and in light of the Coronavirus (COVID-19) pandemic, in lieu of cash bonuses for the year ended 31 March 2020. These shares shall vest if the employees, including the Executive Directors, remain in employment with the Company to the vesting date, being 1 July 2021 (subject to certain other provisions including regulatory, good-leaver, take-over and committee discretion provisions).

Non-controlling interests relates to the investment of various parties into Tricoya Technologies Limited and Tricoya UK Limited (note 7).

The notes set out on pages 19 to 35 form an integral part of these condensed financial statements.

Accsys Technologies PLC

Condensed consolidated statement of cash flow for the six months ended 30 September 2020

	Unaudited 6 months ended 30 Sept 2020 €'000	Unaudited 6 months ended 30 Sept 2019 €'000	Audited Year ended 31 March 2020 €'000
Profit/(loss) before taxation before exceptional items and other adjustments	(101)	(2,206)	(2,153)
Adjustments for:			
Amortisation of intangible assets	393	324	664
Depreciation of property, plant and equipment and right of use assets	2,372	2,581	4,939
Net finance expense	1,656	1,770	3,352
Equity-settled share-based payment expenses	410	197	615
Currency translation loss/(gain)	60	(56)	(79)
Cash inflows from operating activities before changes in working capital and exceptional items	4,790	2,610	7,338
Exceptional Items in operating activities (see note 4)	595	-	3,200
Cash inflows from operating activities before changes in working capital	5,385	2,610	10,538
Decrease/(increase) in trade and other receivables	2,154	2,474	(2,427)
Increase in deferred income	-	270	190
Decrease/(increase) in inventories	1,254	(1,892)	(2,924)
Increase/(decrease) in trade and other payables	809	(1,038)	(3,164)
Net cash from/(used in) operating activities before tax	9,602	2,424	2,213
Tax received	76	150	165
Net cash from operating activities	9,678	2,574	2,378
Cash flows from investing activities			
Interest received	2	6	19
Investment in property, plant and equipment	(3,700)	(6,521)	(22,040)
Settlement of FX derivative	(392)	(59)	307
Investment in intangible assets	(289)	(375)	(861)
Net cash used in investing activities	(4,379)	(6,949)	(22,575)
Cashflows from financing activities			
Proceeds from loans	-	2,000	4,500
Other finance costs	(32)	(33)	(79)
Proceeds from/(repayment of) trade facility draw down	827	159	(1,825)
Interest Paid	(1,058)	(1,209)	(2,370)
Repayment of lease liabilities	(443)	(586)	(1,022)
Repayment of loans/rolled up interest	(888)	(1,470)	(2,942)
Proceeds from issue of share capital/sale of own shares	-	7	46,504
Proceeds from issue of subsidiary shares to non-controlling interests	2,552	-	9,167
Share issue costs	(7)	-	(3,320)
Net cash from financing activities	951	(1,132)	48,613
Net increase/(decrease) in cash and cash equivalents	6,250	(5,507)	28,416
Effect of exchange loss on cash and cash equivalents	(521)	(49)	(35)
Opening cash and cash equivalents	37,238	8,857	8,857
Closing cash and cash equivalents	42,967	3,301	37,238

The notes set out on pages 19 to 35 form an integral part of these condensed 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 chips. 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 Brettenham House, 19 Lancaster Place, London, WC2E 7EN.

The condensed consolidated financial statements were approved on 27 November 2020. These condensed consolidated financial statements have been reviewed, not audited.

Basis of accounting

The Group's condensed consolidated financial statements in these interim results have been prepared in accordance with IFRS issued by the International Accounting Standards Board as endorsed by the European Union, in particular International Accounting Standard (IAS) 34 "interim financial reporting" and the disclosure and transparency rules of the Financial Conduct Authority. The financial information for the six months ended 30 September 2020 and the six months ended 30 September 2019 is unaudited. The comparative financial information for the full year ended 31 March 2020 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 22 June 2020. 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 2020.

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 2021 Annual Report.
Other than as described below the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

Joint arrangement
As detailed in note 14, the Group entered into a joint venture agreement with Eastman Chemical Company, forming Accoya USA LLC. The Group applies IFRS 11 for this joint arrangement, and following assessment of the nature of this joint arrangement, has determined it to be a joint venture. Interest in the joint venture is accounted for using the equity method, after initially being recognised at cost.

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, and at least 12 months from the date these financial statements are approved.

As part of the Group's going concern review, the Directors have reviewed the Group's trading forecasts and working capital requirements for the foreseeable future taking into account the banking and finance facilities which are currently in place (See Note 12 for details of these facilities) and the possible further impact of COVID-19. The Directors have also reviewed a severe but plausible downside scenario with reduced sales volumes and lower gross margin. 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 with the collection of on-going working capital items in line with internally agreed budgets. The Directors' have also considered the level and timing of capital expenditure required in relation to the new plant in Hull which is currently being built and further expansion of the Arnhem operation noting that the full forecast project cost has not yet been committed to.

The Directors believe that while some uncertainty always inherently remains in achieving the budget, in particular in relation to market conditions outside of the Group's control and on this occasion with the continued heightened risk that COVID-19 entails, that there is no material uncertainty. There are a sufficient number of alternative actions and measures within the control of the Group that can and would be taken in order to ensure on-going liquidity including reducing/deferring costs in some discretionary areas as well as larger capital projects if necessary.

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 manufacturing of and development, commercialisation and licensing of the associated proprietary technology for the manufacture of Accoya® wood, Tricoya® wood chips and related acetylation technologies. Segmental reporting is divided between corporate activities, activities directly attributable to Accoya®, to Tricoya® or research and development activities.

Accoya®

	Accoya® Segment								
	6 months ended 30 September 2020	6 months ended 30 September 2020	**6 months ended 30 September 2020**	6 months ended 30 September 2019	6 months ended 30 September 2019	**6 months ended 30 September 2019**	12 months ended 31 March 2020	12 months ended 31 March 2020	**12 months ended 31 March 2020**
	Underlying	Exceptional items & Other Adjustments	**TOTAL**	Underlying	Exceptional items & Other Adjustments	**TOTAL**	Underlying	Exceptional items & Other Adjustments	**TOTAL**
	€'000	€'000	**€'000**	€'000	€'000	**€'000**	€'000	€'000	**€'000**
Accoya® wood revenue	38,676	-	**38,676**	40,161	-	**40,161**	82,836	-	**82,836**
Licence revenue	400	-	**400**	-	-	**-**	5	3,200	**3,205**
Other revenue	2,739	-	**2,739**	3,494	-	**3,494**	7,187	-	**7,187**
Total Revenue	41,815	-	**41,815**	43,655	-	**43,655**	90,028	3,200	**93,228**
Cost of sales	(27,550)	230	**(27,320)**	(31,123)	-	**(31,123)**	(62,878)	-	**(62,878)**
Gross profit	14,265	230	**14,495**	12,532	-	**12,532**	27,150	3,200	**30,350**
Other operating costs excluding depreciation and amortisation	(5,100)	249	**(4,851)**	(4,965)	-	**(4,965)**	(10,204)	-	**(10,204)**
EBITDA	9,165	479	**9,644**	7,567	-	**7,567**	16,946	3,200	**20,146**
Depreciation and amortisation	(2,132)	-	**(2,132)**	(2,224)	-	**(2,224)**	(4,323)	-	**(4,323)**
Profit from operations	7,033	479	**7,512**	5,343	-	**5,343**	12,623	3,200	**15,823**

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

All costs of sales are allocated against manufacturing activities in Arnhem unless they can be directly attributable to a licensee. Other operating costs include depreciation of the Arnhem property, plant and equipment together with all other costs associated with the operation of the Arnhem manufacturing site, including directly attributable administration, sales and marketing costs.

See note 4 for explanation of Exceptional Items and other adjustments.

Average headcount = 138 (H1 FY20: 128)

The below table shows details of reconciling items to show both Accoya® EBITDA and Accoya® Manufacturing gross profit, both including and excluding licence and licensing related income, which has been presented given the inclusion of items which can be more variable or one-off.

	6 months ended 30 September 2020 €'000	**6 months ended 30 September 2019 €'000**	**Year ended 31 March 2020 €'000**
Accoya® segmental underlying EBITDA	9,165	7,567	16,946
Accoya® underlying Licence Income	(400)	-	(5)
Other income, predominantly for marketing services	-	(84)	(168)
Accoya® segmental manufacturing EBITDA (excluding licence income)	8,765	7,483	16,773
Accoya® segmental gross profit	14,265	12,532	27,150
Accoya® Licence Income	(400)	-	(5)
Other income, predominantly for marketing services	-	(84)	(168)
Accoya® Manufacturing gross profit	13,865	12,448	26,977
Gross Accoya® Manufacturing Margin	33.5%	28.6%	30.0%

Accsys Technologies PLC

Notes to the financial statements for the six months ended 30 September 2020, continued

Tricoya®

Tricoya® Segment

	6 months ended 30 September 2020 Underlying €'000	6 months ended 30 September 2020 Exceptional items & Other Adjustments €'000	**6 months ended 30 September 2020 TOTAL €'000**	6 months ended 30 September 2019 Underlying €'000	6 months ended 30 September 2019 Exceptional items & Other Adjustments €'000	**6 months ended 30 September 2019 TOTAL €'000**	12 months ended 31 March 2020 Underlying €'000	12 months ended 31 March 2020 Exceptional items & Other Adjustments €'000	**12 months ended 31 March 2020 TOTAL €'000**
Tricoya® panel revenue	1,110	-	**1,110**	58	-	**58**	512	-	**512**
Licence revenue	2	-	**2**	280	-	**280**	288	-	**288**
Other revenue	6	-	**6**	-	-	**-**	81	-	**81**
Total Revenue	1,118	-	**1,118**	338	-	**338**	881	-	**881**
Cost of sales	(1,059)	-	**(1,059)**	(61)	-	**(61)**	(524)	-	**(524)**
Gross profit	59	-	**59**	277	-	**277**	357	-	**357**
Other operating costs excluding depreciation and amortisation	(1,243)	72	**(1,171)**	(1,334)	2	**(1,332)**	(3,210)	(165)	**(3,375)**
EBITDA	(1,184)	72	**(1,112)**	(1,057)	2	**(1,055)**	(2,853)	(165)	**(3,018)**
Depreciation and amortisation	(247)	-	**(247)**	(210)	-	**(210)**	(397)	-	**(397)**
Loss from operations	(1,431)	72	**(1,359)**	(1,267)	2	**(1,265)**	(3,250)	(165)	**(3,415)**

Revenue and costs are those attributable to the business development of the Tricoya® process and establishment of the Tricoya® Hull Plant.

See note 4 for explanation of Exceptional Items and other adjustments.

Average headcount = 18 (H1 FY20: 18), noting a substantial proportion of the costs to date have been incurred via recharges from other parts of the Group or have resulted from contractors.

Corporate

Corporate Segment

	6 months ended 30 September 2020 Underlying €'000	6 months ended 30 September 2020 Exceptional items & Other Adjustments €'000	**6 months ended 30 September 2020 TOTAL €'000**	6 months ended 30 September 2019 Underlying €'000	6 months ended 30 September 2019 Exceptional items & Other Adjustments €'000	**6 months ended 30 September 2019 TOTAL €'000**	12 months ended 31 March 2020 Underlying €'000	12 months ended 31 March 2020 Exceptional items & Other Adjustments €'000	**12 months ended 31 March 2020 TOTAL €'000**
Total Revenue	-	-	**-**	-	-	**-**	-	-	**-**
Cost of sales	-	-	**-**	-	-	**-**	-	-	**-**
Gross result	-	-	**-**	-	-	**-**	-	-	**-**
Other operating costs excluding depreciation and amortisation	(3,203)	16	**(3,187)**	(3,475)	-	**(3,475)**	(6,055)	-	**(6,055)**
EBITDA	(3,203)	16	**(3,187)**	(3,475)	-	**(3,475)**	(6,055)	-	**(6,055)**
Depreciation and amortisation	(345)	-	**(345)**	(394)	-	**(394)**	(731)	-	**(731)**
Loss from operations	(3,548)	16	**(3,532)**	(3,869)	-	**(3,869)**	(6,786)	-	**(6,786)**

Corporate costs are those costs not directly attributable to Accoya®, Tricoya® or Research and Development activities. This includes management and the Group's corporate and general administration costs including the head office in London.

See note 4 for explanation of Exceptional Items and other adjustments.

Average headcount = 26 (H1 FY20: 20).

Research and Development

	Research and Development Segment								
	6 months ended 30 September 2020 Underlying €'000	6 months ended 30 September 2020 Exceptional items & Other Adjustments €'000	**6 months ended 30 September 2020 TOTAL €'000**	6 months ended 30 September 2019 Underlying €'000	6 months ended 30 September 2019 Exceptional items & Other Adjustments €'000	**6 months ended 30 September 2019 TOTAL €'000**	12 months ended 31 March 2020 Underlying €'000	12 months ended 31 March 2020 Exceptional items & Other Adjustments €'000	**12 months ended 31 March 2020 TOTAL €'000**
Total Revenue	-	-	**-**	-	-	**-**	-	-	**-**
Cost of sales	-	-	**-**	-	-	**-**	-	-	**-**
Gross result	-	-	**-**	-	-	**-**	-	-	**-**
Other operating costs excluding depreciation and amortisation	(458)	10	**(448)**	(565)	-	**(565)**	(1,071)	-	**(1,071)**
EBITDA	(458)	10	**(458)**	(565)	-	**(565)**	(1,071)	-	**(1,071)**
Depreciation and amortisation	(41)	-	**(41)**	(78)	-	**(78)**	(152)	-	**(152)**
Loss from operations	(499)	10	**(489)**	(643)	-	**(643)**	(1,223)	-	**(1,223)**

Research and Development costs are those associated with the Accoya® and Tricoya® processes. Costs exclude those which have been capitalised in accordance with IAS 38. (see note 8).

See note 4 for explanation of Exceptional Items and other adjustments.

Average headcount = 8 (H1 FY20: 10).

Total

	Total								
	6 months ended 30 September 2020 Underlying €'000	6 months ended 30 September 2020 Exceptional items & Other Adjustments €'000	**6 months ended 30 September 2020 TOTAL €'000**	6 months ended 30 September 2019 Underlying €'000	6 months ended 30 September 2019 Exceptional items & Other Adjustments €'000	**6 months ended 30 September 2019 TOTAL €'000**	12 months ended 31 March 2020 Underlying €'000	12 months ended 31 March 2020 Exceptional items & Other Adjustments €'000	**12 months ended 31 March 2020 TOTAL €'000**
Accoya® wood revenue	38,676	-	**38,676**	40,161	-	**40,161**	82,836	-	**82,836**
Tricoya® panel revenue	1,110	-	**1,110**	58	-	**58**	512	-	**512**
Licence revenue	402	-	**402**	280	-	**280**	293	3,200	**3,493**
Other revenue	2,745	-	**2,745**	3,494	-	**3,494**	7,268	-	**7,268**
Total Revenue	42,933	-	**42,933**	43,993	-	**43,993**	90,909	3,200	**94,109**
Cost of sales	(28,609)	230	**(28,379)**	(31,184)	-	**(31,184)**	(63,402)	-	**(63,402)**
Gross profit	14,324	230	**14,554**	12,809	-	**12,809**	27,507	3,200	**30,707**
Other operating costs excluding depreciation and amortisation	(10,004)	347	**(9,657)**	(10,339)	2	**(10,337)**	(20,540)	(165)	**(20,705)**
EBITDA	4,320	577	**4,897**	2,470	2	**2,472**	6,967	3,035	**10,002**
Depreciation and amortisation	(2,765)	-	**(2,765)**	(2,906)	-	**(2,906)**	(5,603)	-	**(5,603)**
Profit/(Loss) from operations	1,555	577	**2,132**	(436)	2	**(434)**	1,364	3,035	**4,399**
Finance income	1	-	**1**	-	-	**-**	-	-	**-**
Finance expense	(1,657)	485	**(1,172)**	(1,770)	612	**(1,158)**	(3,517)	626	**(2,891)**
Profit/Loss) before taxation	(101)	1,062	**961**	(2,206)	614	**(1,592)**	(2,153)	3,661	**1,508**

See note 4 for explanation of Exceptional Items and other adjustments.

Segmental reporting continued

Assets and liabilities on a segmental basis:

	Accoya® Sept 2020 €'000	Tricoya® Sept 2020 €'000	Corporate Sept 2020 €'000	R&D Sept 2020 €'000	TOTAL Sept 2020 €'000
Non-current assets	61,915	79,278	4,634	71	**145,898**
Current assets	26,982	10,325	26,637	5,513	**69,457**
Current liabilities	(8,604)	(16,684)	(7,941)	(32)	**(33,261)**
Net current assets	18,378	(6,359)	18,696	5,481	**36,196**
Non-current liabilities	(23,730)	(8,956)	(19,525)	-	**(52,211)**
Net assets	56,563	63,963	3,805	5,552	**129,883**
Cash and cash equivalents	2,890	9,561	30,468	48	**42,967**
Borrowings	(29,302)	(9,395)	(20,572)	-	**(59,269)**
Investment in PPE (Capex)	1,220	2,299	160	21	**3,700**

	Accoya® Sept 2019 €'000	Tricoya® Sept 2019 €'000	Corporate Sept 2019 €'000	R&D Sept 2019 €'000	TOTAL Sept 2019 €'000
Non-current assets	62,170	56,464	4,831	166	**123,631**
Current assets	24,488	3,235	(2,933)	5,263	**30,053**
Current liabilities	(12,517)	(7,576)	(5,997)	(120)	**(26,210)**
Net current assets	11,971	(4,341)	(8,930)	5,143	**3,843**
Non-current liabilities	(29,798)	(6,292)	(19,549)	-	**(55,639)**
Net assets	44,343	45,831	(23,648)	5,309	**71,835**
Cash and cash equivalents	113	2,268	891	29	**3,301**
Borrowings	(35,603)	(6,362)	(20,550)	(72)	**(62,587)**
Investment in PPE (Capex)	804	5,294	423	-	**6,521**

	Accoya® March 2020 €'000	Tricoya® March 2020 €'000	Corporate March 2020 €'000	R&D March 2020 €'000	TOTAL March 2020 €'000
Non-current assets	62,143	70,638	4,773	91	**137,645**
Current assets	38,777	10,896	15,330	4,758	**69,761**
Current liabilities	(11,692)	(9,407)	(2,833)	(29)	**(23,961)**
Net current assets	27,085	1,489	12,497	4,729	**45,800**
Non-current liabilities	(27,740)	(8,727)	(19,843)	-	**(56,310)**
Net assets	61,488	63,400	(2,573)	4,820	**127,135**
Cash and cash equivalents	9,501	8,399	19,278	60	**37,238**
Borrowings	(32,338)	(9,142)	(20,954)	-	**(62,434)**
Investment in PPE (Capex)	2,448	18,935	657	-	**22,040**

The segmental assets in the current year were predominantly held in the UK and mainland Europe (Prior Year UK and mainland Europe). Additions to property, plant, equipment and intangible assets in the current year were predominantly incurred in the UK and mainland Europe (Prior Year UK and mainland Europe). There are no significant intersegment revenues.

Segmental reporting continued

Analysis of underlying revenue by geographical destination:

	Unaudited 6 months ended 30 Sept 2020 €'000	Unaudited 6 months ended 30 Sept 2019 €'000	Audited Year ended 31 March 2020 €'000
UK & Ireland	17,495	19,052	39,208
Rest of Europe	13,136	11,974	24,962
Benelux	4,458	3,978	8,510
Americas	4,926	5,575	10,949
Asia-Pacific	2,858	3,287	6,293
Rest of World	60	127	987
	42,933	43,993	90,909

Sales to UK and Ireland include 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, the offices in Dallas and London and certain pre-operating costs associated with the plant in Hull:

	Unaudited 6 months ended 30 Sept 2020 €'000	Unaudited 6 months ended 30 Sept 2019 €'000	Audited Year ended 31 March 2020 €'000
Sales and marketing	1,476	1,653	3,295
Research and development	448	565	1,071
Other operating costs	2,743	2,950	6,742
Administration costs	5,567	5,171	9,432
Exceptional Items and other adjustments	(577)	(2)	165
Other operating costs excluding depreciation and amortisation	9,657	10,337	20,705
Depreciation and amortisation	2,765	2,906	5,603
Total other operating costs	12,422	13,243	26,308

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

The total cost of €12.4m in the current period includes €1.4m in respect of Tricoya® segment (H1 FY20: €1.5m).

Group average employee headcount increased to 190 in the period to 30 September 2020, from 176 in the period to 30 September 2019.

During the period, the Group received Government grants relating to the COVID-19 response, of which €460,000 was received in the Netherlands (Netherlands NOW scheme), and €135,000 in the UK (UK Coronavirus job retention scheme). Of the Netherlands total, €230,000 was recognised as a reduction to cost of sales, and €230,000 as a reduction to operating costs. In addition to the Government payroll related COVID-19 grants, temporary salary reductions for employees (including for the Directors and Senior Management team) amounted to €315,000. Of the total €680,000 reduction to operating expense, €301,000 relates to the Accoya® segment, €161,000 to the Tricoya® segment, €200,000 to the Corporate segment, and €18,000 to the R&D segment.

During the period, €289,000 (H1 FY20: €375,000) of internal development & patent related costs were capitalised and included in intangible fixed assets, including €218,000 (H1 FY20: €320,000) which were capitalised within Tricoya Technologies Limited ('TTL'). €18,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (H1 FY20: €32,000). Both are included within tangible fixed assets.

4. Exceptional Items and Other Adjustments

	6 months ended 30 Sept 2020 €'000	6 months ended 30 Sept 2019 €'000	Year ended 31 March 2020 €'000
Government grant income	595	-	-
Cerdia contract termination fee - Licence revenue	-	-	3,200
Total exceptional items	595	-	3,200
Foreign exchange differences arising on Tricoya® cash held - Operating costs	(18)	2	(165)
Foreign exchange differences arising on Loan Notes - incl. in Finance expense	485	612	626
Foreign exchange differences on cash held - Other comprehensive (loss)	(237)	(113)	(96)
Revaluation of FX forwards used for cash-flow hedging - Other comprehensive (loss)	(191)	(187)	(184)
Total other adjustments	39	314	181
Tax on exceptional items and other adjustments	-	-	(177)
Total exceptional items and other adjustments	634	314	3,204

Exceptional Items

In the prior year, an exceptional licence fee revenue of €3.2m resulted from the early termination of the Cerdia commercial agreements. The amount was recorded as a reduction to net debt from 1 April 2020, with the fee offset against our loan held with Cerdia which continues.

Other Adjustments

Foreign exchange differences in the Tricoya® segment have occurred due to pounds sterling held within the consortium for the ongoing Hull plant build and to a lesser extent, pounds sterling held within the Corporate segment for future sterling corporate costs. The Group has mitigated these currency exchange risks by adopting hedge accounting under IFRS 9, Financial Instruments. The effective portion of the foreign exchange movement is recognised in other comprehensive income, with the ineffective portion recognised in Operating costs.

Foreign exchange differences also arise on the pounds sterling denominated loan notes, entered into in a prior period. These exchange rate differences are included as finance expenses.

5. Tax expense

	Unaudited 6 months ended 30 Sept 2020 €'000	**Unaudited 6 months ended 30 Sept 2019 €'000**	**Audited Year ended 31 March 2020 €'000**
(a) Tax recognised in the statement of comprehensive income comprises:			
Current tax expense/(credit)			
UK Corporation tax on losses for the year	-	-	-
Research and development tax (credit)/expense in respect of current year	(45)	65	28
	(45)	65	28
Overseas tax at rate of 15%	4	-	(30)
Overseas tax at rate of 25%	628	-	633
Deferred Tax			
Utilisation of deferred tax asset	-	-	-
Total tax expense reported in the statement of comprehensive income	587	65	631

6. Profit/(loss) per share

	Unaudited 6 months ended 30 Sept 2020	**Unaudited 6 months ended 30 Sept 2020**	Unaudited 6 months ended 30 Sept 2019	**Unaudited 6 months ended 30 Sept 2019**	Audited Year ended 31 March 2020	**Audited Year ended 31 March 2020**
	Underlying	**Total**	Underlying	**Total**	Underlying	**Total**
Weighted average number of Ordinary shares in issue ('000)	163,823	163,823	117,988	117,988	132,721	132,721
Profit/(Loss) for the period attributable to owners of Accsys Technologies PLC (€'000)	(113)	1,078	(1,690)	(1,007)	(1,069)	2,415
Basic and diluted profit/(loss) per share	€(0.00)	€0.01	€(0.01)	€(0.01)	€(0.01)	€0.02

Basic and diluted losses per share are based upon the same figures. IAS 33 "Earning per share" defines Dilutive share options as share options which would decrease profit per share or increase loss per share. Equity options if exercised, would decrease the loss per share.

7. Tricoya Technologies Limited

Tricoya Technologies Limited ("TTL") was incorporated in order to develop and exploit the Group's Tricoya® technology for use within the worldwide panel products market, which is estimated to be worth more than €60 billion annually.

On 29 March 2017 the Group announced the entry into and successful completion of its agreements for the financing, construction and operation of the world's first Tricoya® wood elements acetylation plant in Hull with its TTL consortium investors, being BP, MEDITE, BGF and Volantis.

The Hull plant will have a targeted production capacity of 30,000 metric tonnes per annum (sufficient to manufacture 40,000 cubic metres of panels) and scope to expand.

Structurally, Accsys, BP Ventures, MEDITE, BGF and Volantis have invested into TTL in 2017. TTL has then invested, alongside BP Chemicals and MEDITE, in Tricoya UK Limited ("Tricoya UK"), a special purpose subsidiary of TTL that will construct, own and operate the Hull Plant. The company changed its name from Tricoya Ventures UK Limited to Tricoya UK Limited on 3rd September 2020.

BP have invested €29.5 million in the Tricoya® Project, including €21.4 million as equity in Tricoya UK by BP Chemicals and €8.1 million as equity in TTL by BP Ventures. All funding was received by 30 September 2020, with €0.1m being received in the period ended 30 September 2020.

MEDITE have invested €14.1 million in the Tricoya® Project, including €8.0 million as equity in TTL and €6.1 million as equity in Tricoya UK. All funding was received by 30 September 2020, with €2.1m being received in the period ended 30 September 2020 and a further issue of 495,311 shares as a result of MEDITE continuing to seed the market with Tricoya® panels ensuring continued market development ahead of the completion of the Hull Plant.

In the period to 30 September 2020, the Group's shareholding in TTL decreased from 77.8% to 76.3% following investment of €0.7m.

In the year ended 31 March 2017, BGF and Volantis invested an aggregate of £19.0 million as financial investors into both the Group and TTL. BGF and Volantis invested on similar terms but are investing separately, with BGF accounting for 65% of the £19.0 million total. BGF have invested €2.5 million in the Tricoya® Project as equity in TTL. All funding was received by 30 September 2020, with €0.4m being received in the period ended 30 September 2020.

In October 2020, post the interim reporting date, Accsys (€3.7m), BP Ventures (€0.4m), MEDITE (€0.5m) and BGF (€0.1m) together invested €4,7m into TTL. TTL invested €4m of this amount received into Tricoya UK. In addition, BP Chemicals invested €1.9m and MEDITE invested €0.5m into Tricoya UK.

In the year ended 31 March 2017, Tricoya UK entered a six-year €17.2 million (€14.6 million net) finance facility agreement with The Royal Bank of Scotland PLC in respect of the construction and operation of the Hull Plant. As at 30 September 2020 the Group have utilised €9.0m (2020: €8.7m) of the facility.

The Group has consolidated the results of TTL and Tricoya UK as subsidiaries, as it exercises the power to govern the entities in accordance with IFRS 10. The non-controlling interests in both entities have been recognised in these Group financial statements.

The "TTL Group" income statement and balance sheet, consisting of TTL and its subsidiary Tricoya UK Ltd, are set out below:

TTL Group income statement:

	Consolidated Unaudited 6 months ended 30 Sept 2020 €'000	Consolidated Unaudited 6 months ended 30 Sept 2019 €'000	Consolidated Audited Year ended 31 March 2020 €'000
Tricoya® panel revenue	1,110	58	511
Licence revenue	2	280	288
Other income	6	-	82
Total revenue	1,118	338	881
Cost of Sales Tricoya® panel	(1,059)	(61)	(538)
Gross profit	59	277	343
Costs:			
Staff costs	(902)	(983)	(2,879)
Research & development (excluding staff costs)	(108)	(16)	(228)
Intellectual Property	(77)	(98)	(203)
Other Operating costs	(131)	(388)	(388)
Depreciation & Amortisation	(247)	(210)	(397)
EBIT	(1,406)	(1,418)	(3,752)
EBIT attributable to Accsys shareholders	(704)	(768)	(2,214)

Tricoya® panel revenue represents panels purchased by Tricoya Technologies Ltd from MEDITE, sold to customers in other regions as market seeding.

Included within staff costs are the amounts received under the UK Government furlough scheme, and lower costs due to temporary salary reductions, totalling €161,000.

Accsys Technologies PLC

Notes to the financial statements for the six months ended 30 September 2020, continued

TTL Group balance sheet at 30 September 2020:

	Unaudited 6 months ended 30 Sept 2020 €'000	Unaudited 6 months ended 30 Sept 2019 €'000	Audited Year ended 31 March 2020 €'000
Non-current assets			
Intangible assets	4,263	3,970	4,216
Property, Plant and Equipment	74,187	51,632	65,557
Right of use assets	829	862	865
	79,279	56,464	70,638
Current assets			
Trade and other receivables	772	946	2,378
Inventory	151	-	53
Cash and cash equivalents	9,561	2,268	8,399
FX Derivative Asset	-	21	-
	10,484	3,235	10,830
Current liabilities			
Trade and other payables	(17,094)	(8,354)	(10,419)
FX Derivative liability	(129)	-	(330)
	(17,223)	(8,354)	(10,749)
Non-current liabilities			
Long term borrowing	(8,586)	(5,514)	(8,284)
	(8,586)	(5,514)	(8,284)
Net current assets	(6,739)	(5,119)	81
Net assets	63,954	45,831	62,435
Value attributable to Accsys Technologies	28,469	16,358	27,993
Value attributable to Non-controlling interest	35,485	29,473	34,442

8. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2019	6,796	73,582	4,231	84,609
Additions	209	166	-	375
At 30 September 2019	7,005	73,748	4,231	84,984
Additions	182	303	-	485
At 31 March 2020	7,187	74,051	4,231	85,469
Additions	95	194	-	289
At 30 September 2020	7,282	74,245	4,231	85,758
Accumulated amortisation				
At 31 March 2019	1,796	72,023	-	73,819
Amortisation	171	153	-	324
At 30 September 2019	1,967	72,176	-	74,143
Amortisation	179	161	-	340
At 31 March 2020	2,146	72,337	-	74,483
Amortisation	180	213	-	393
At 30 September 2020	2,326	72,550	-	74,876
Net book value				
At 31 March 2019	5,000	1,559	4,231	10,790
At 30 September 2019	5,038	1,572	4,231	10,841
At 31 March 2020	5,041	1,714	4,231	10,986
At 30 September 2020	4,956	1,695	4,231	10,882

9. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
Cost or valuation				
Opening balance at 31 March 2019	17,976	103,676	2,685	124,337
Additions	-	6,480	265	6,745
Foreign currency translation gain	-	-	4	4
At 30 September 2019	17,976	110,156	2,954	131,086
Additions	-	15,535	290	15,825
Foreign currency translation (loss)	-	-	(1)	(1)
At 31 March 2020	17,976	125,691	3,243	146,910
Additions	-	9,904	198	10,102
Foreign currency translation (loss)	-	-	(9)	(9)
At 30 September 2020	17,976	135,595	3,432	157,003
Depreciation				
Opening balance at 31 March 2019	279	19,409	1,244	20,932
Charge for the period	179	1,702	104	1,985
Foreign currency translation gain	-	-	4	4
At 30 September 2019	458	21,111	1,352	22,921
Charge for the period	179	1,585	103	1,867
Foreign currency translation (loss)	-	-	(1)	(1)
At 31 March 2020	637	22,696	1,454	24,787
Charge for the period	179	1,604	168	1,951
Foreign currency translation gain	-	-	(8)	(8)
At 30 September 2020	816	24,300	1,614	26,730
Net book value				
At 31 March 2019	17,697	85,998	1,577	105,272
At 30 September 2019	17,518	89,045	1,602	108,165
At 31 March 2020	17,339	102,995	1,789	122,123
At 30 September 2020	17,160	111,295	1,818	130,273

Plant and machinery assets with a net book value of €73,876,000 relating to the Hull Plant are held as assets under construction and are not depreciated, and €1,478,000 relating to the further expansion of the Arnhem Plant (31 March 2020: €66,409,000 relating to the Hull Plant and €725,000 relating to the further expansion of the Arnhem Plant).

The carrying value of property, plant and equipment on consolidation is split between two cash generating units, representing the Accoya® and Tricoya® segments. The recoverable amount of property, plant and equipment relating to each unit is determined based on a value in use calculation which uses cash flow projections based on Board approved financial budgets. Cash flows have been projected for a period of 12 years, including a five year forecast and seven years of 1.8% growth plus assumptions concerning a terminal value and based on a pre-tax discount rate of 10% per annum (31 March 2020: 10%).
The key assumptions used in the value in use calculations are:
- the level of future licence fees and manufacturing revenues estimated by management;
- the completion of construction of additional facilities on time (and associated output); and
- the discount rate.

The Directors have considered whether a reasonably possible change in assumptions may result in an impairment. The CGU most susceptible to an impairment given a change in assumptions is the Tricoya® CGU.
The impact on the value in use determined is:
- Reduction in sales growth rate by 1% = €17m
- Increase in discount rate by 1% = €14m

10. Share capital

In the period ended 30 September 2019:

Of the Ordinary Shares which had been issued to the EBT in the previous year, 145,918 Ordinary Shares vested on 01 July 2019. Of these beneficiaries elected to sell 106,448 Ordinary Shares in the market, with sale date of 31 July 2019.

In the period ended 31 March 2020:

On 23 December 2019, 27,239,764 Firm Placing Shares and 16,855,474 Open Offer Shares were issued as part of the capital raise to fund the Arnhem plant expansion, completion of the Tricoya® plant in Hull, preliminary work in the United States and working capital requirements related to these activities. The Shares were issued at a price of €1.05 per Ordinary share, raising gross proceeds of €46.3 million (before expenses).

The Group's Employee Share Participation Plan (see note 15 of the Group Financial Statements for the year ended 31 March 2020 for further details) was re-introduced in November 2019. In February 2020 various employees subscribed for a total of 204,612 Shares at an acquisition price of €1.095 per Share, with these shares issued to a trust, to be released to the employees after one year, together with an additional share on a matched basis (subject to continuing employment within the Group).

In the period ended 30 September 2020:

1,259,449 Shares were issued on 12 May 2020 to an Employee Benefit Trust ('EBT') following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ("LTIP").

727,250 shares were issued on 29 June 2020 to an EBT at nominal value, representing the annual bonus payable to Group employees for the year ended 31 March 2020, which has been paid in the form of shares rather than cash on this occasion, as previously set out in the 2020 Annual Report.

11. Other Reserves

	Capital redemp-tion reserve €000	Merger reserve €000	Hedging Effective-ness reserve €000	Other reserve €000	Total Other reserves €000
Balance at 31 March 2019	148	106,707	317	2,349	109,521
Total Comprehensive (expense) for the period	-	-	(300)	-	(300)
Balance at 30 September 2019	148	106,707	17	2,349	109,221
Issue of subsidiary shares to non-controlling interests	-	-	-	3,310	3,310
Total Comprehensive income for the period	-	-	20	-	20
Balance at 31 March 2020	148	106,707	37	5,659	112,551
Issue of subsidiary shares to non-controlling interests	-	-	-	805	805
Total Comprehensive (expense) for the period	-	-	(428)	-	(428)
Balance at 30 September 2020	148	106,707	(391)	6,464	112,928

The closing balance of the capital redemption reserve represents the amounts transferred from share capital on redemption of deferred shares in a prior period.

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

The hedging effectiveness reserve reflects the total accounted for under IFRS 9 in relation to the Tricoya® and Corporate segments (note 1).

The other reserve represents the amounts received for subsidiary share capital from non-controlling interests net with the carrying amount of non-controlling interests issued.

12. Commitments under loan agreements

	Unaudited 6 months ended 30 Sept 2020	Unaudited 6 months ended 30 Sept 2019	Audited Year ended 31 March 2020
Amounts payable under loan agreements:			
Within one year	6,703	7,736	5,644
In the second to fifth years inclusive	56,336	60,010	61,855
In greater than five years	223	1,901	1,120
Less future finance charges	(8,763)	(12,060)	(11,306)
Present value of loan obligations	54,499	57,587	57,313

The decrease in total borrowings in the period since 31 March 2020 of €2.8m consisted of a reduction of €3.2m from the Cerdia Production facility, explained further below, repayment on the Cerdia loan of €0.4m and repayment on the ABN lease loan of €0.4m, and €0.5m foreign exchange gain arising on the loan notes with BGF & Volantis, offset by a €0.8m drawdown on our working capital facility and €0.9m of accrued finance charges.

Facilities relating to purchase of Arnhem land and buildings:

On 1 August 2018 the Group entered into a package of facilities to fully finance the purchase of the land and buildings in Arnhem. The partially amortising package of loans includes the following:

- €14.0m loan with ABN Amro Bank. The loan is partially repayable over a five-year term with a final payment of €9.25m. Interest is fixed at 3% and the loan is secured on the land and buildings. During the period, repayments totalling €0.5m were deferred by ABN Amro Bank, as a COVID-19 action, to the end of the loan term.
- €5.0m lease loan with ABN Asset Based Finance is repayable over a five-year term with an implied interest rate of approximately 3%. The loan is secured on the first two Accoya® reactors.
- €4.0m loan with Bruil, the seller and previous landlord. The balance is repayable from July 2021 to July 2023 with interest fixed at 5%. The loan is unsecured.

Loan Notes:

On 29 March 2017 the Group issued £16.3 million (€18.4 million) of unsecured fixed rate loan notes, due 2021. £10.5 million of Loan Notes in principal were issued to Business Growth Fund ('BGF'), with £5.8 million in principal issued to Volantis. The BGF loan notes are subject to a 7% fixed interest rate for the duration of their term and the Volantis loan notes are subject to a 7% fixed interest rate until 31 December 2018, with the interest rate fixed at 9% thereafter. Interest is rolled up until 31 December 2018 on both loans, with further roll up of interest on the Volantis loan until six-monthly redemption payments of both loans commence on 31 December 2021 and end on 30 June 2023.

BGF is an investment company that provides long-term equity funding to growing UK companies to enable them to execute their strategic plans. Volantis is a global asset management firm specialising in alternative investment strategies and is owned by Lombard Odier.

Cerdia Production Facility:

The €9.5 million term loan facility with Cerdia Production GmBH was used to design, procure and build the third reactor of the Arnhem Plant. This facility is secured against the third reactor of the Arnhem chemical plant and associated assets and is subject to interest at 7.5% per annum. At 30 September 2020, the Group had €4.6m (31 March 2020: €8.3m) borrowed under this facility. Quarterly repayments of the loan commenced on 21 December 2018 and continue until November 2025.

In a prior period, the Group entered into an agreement with Cerdia Produktions GmbH ("Cerdia") under which Accsys took on responsibility for commercial activities under agreements with Cerdia relating to Accoya® wood, which terminated as of 1 April 2020 (the "Termination Agreement"). Under the terms of the Termination Agreement, payments to Accsys included fees of €3.2 million, which was recognised as an exceptional item in the year ended 31 March 2020. The €3.2 million was deducted from the loan balance on 1 April 2020, with subsequent repayments for the remaining term of the loan being reduced accordingly

Tricoya® facility:

On 29 March 2017 the Company's subsidiary, Tricoya UK Limited entered into a six-year €17.2 million (€14.6 million net) finance facility agreement with the Royal Bank of Scotland PLC in respect of the construction and operation of the Hull Plant. The facility is secured by fixed and floating charges over all assets of Tricoya UK Limited. At 30 September 2020, the Group had €9.0m (31 March 2020: €8.7m) borrowed under the facility. The facility is to be drawn down as required, and facility repayments will commence 12 months after practical completion of the Hull Plant. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

Trade receivable and inventory facilities:

Working capital facility
The facility is a €6.0m credit facility with ABN Commercial Finance secured upon the receivables and inventory of the Accoya® manufacturing business committed for a period of 5 years. At 30 September 2020, the Group had drawn €0.8m (31 March 2020: €nil) on this facility.

Bank guarantee facility
The €1.5m bank guarantee facility is held with ABN AMRO Bank N.V. enabling the Group to issue bank guarantees in order to support the working capital and other operational commitments of the Group.

Both facilities are subject to interest at 2% above the ABN AMRO base rate.

Reconciliation to net (debt)/cash:

	Unaudited 6 months ended 30 Sept 2020	**Unaudited 6 months ended 30 Sept 2019**	**Audited Year ended 31 March 2020**
Cash and cash equivalents	42,967	3,301	37,238
Less:			
Amounts payable under loan agreements	(54,499)	(57,587)	(57,313)
Amounts payable under lease liabilities	(4,770)	(5,000)	(5,121)
Net (debt)/cash	(16,302)	(59,286)	(25,196)

Group Net Debt includes Net cash held in the Tricoya® segment of €0.2m (31 March 2020 : Net debt of €0.7m), with Net Debt of €16.5m (31 March 2020 : €24.5m) held in the remainder of the Group.

13. Transactions with non-controlling interests

In the period ended 30 September 2019:

On 25 May 2019, TTL issued 252,464 shares to Titan Wood Limited. As a result, the non-controlling interests' shareholdings were amended to:

BP Ventures (8.4%), MEDITE (11.4%), BGF (2.6%), Volantis (1.4%).

In the period ended 31 March 2020:

On 25 November 2019, TTL issued 238,024 shares to Titan Wood Limited for a consideration of €0.5m. An additional 61,976 shares were issued to non-controlling interests for a consideration of €0.1m.
On 23 December 2019, TTL issued 4,620,156 shares to Titan Wood Limited for a consideration of €9.2m, and an additional 1,401,523 shares were issued in consideration for continued provision of discounted Accoya® to MEDITE for market seeding purposes. 887,643 shares were issued to non-controlling interests for a consideration of €1.8m. As a result, the non-controlling interests' shareholdings were amended to:

BP Ventures (8.6%), MEDITE (10.2%), BGF (2.2%), Volantis (1.2%).

On 23 December 2019, Tricoya UK Ltd issued 11,015,599 Ordinary shares to Tricoya Technologies Ltd for a consideration of €11.0m, and an additional 4,322,394 shares were issued in consideration for continued provision of discounted Accoya® to MEDITE for market seeding purposes. 7,268,573 shares were issued to non-controlling interests for consideration of €7.3 million. As a result, the non-controlling interests' shareholdings were amended to:

BP Chemicals (30.9%, MEDITE 6.2%).

In the period ended 30 September 2020:

TTL issued 372,875 shares to Titan Wood Limited for a consideration of €0.7m. 484,774 shares were issued to non-controlling interests for a consideration of €0.9m and an additional 495,311 shares were issued to MEDITE in consideration for continuing to seed the market with Tricoya® panels ensuring continued market development ahead of the completion of the Hull Plant. As a result, the non-controlling interests' shareholdings were amended to:

BP Ventures (8.5%), MEDITE (11.4%), BGF (2.6%), Volantis (1.2%).

Tricoya UK Ltd issued 486,572 Ordinary shares to Tricoya Technologies Ltd for a consideration of €1.0m. 1,600,530 shares were issued to non-controlling interests for consideration of €1.6 million. As a result, the non-controlling interests' shareholdings were amended to:

BP Chemicals (30.0%, MEDITE 8.2%).

Transactions with non-controlling interests	**Unaudited 6 months ended 30 Sept 2020 €'000**	**Unaudited 6 months ended 30 Sept 2019 €'000**	**Audited Year ended 31 March 2020 €'000**
Opening balance	6,235	2,925	2,925
Carrying amount of non-controlling interests issued	(1,747)	-	(5,857)
Consideration paid by non-controlling interests	2,552	-	9,167
Excess of consideration paid recognised in Group's equity	7,040	2,925	6,235

14. Investment in Joint Venture

On 11 August 2020, Accsys together with Eastman Chemical Company formed a company, Accoya USA LLC, with the intention to construct and operate an Accoya® wood production plant to serve the North American market.

The new company has been formed with Accsys owning 60% and Eastman owning 40%, with the two parties assessed to jointly control the entity as defined under IFRS 11 – Joint arrangements. A technology licence has also been entered into with Accoya USA LLC so that front-end engineering and design for the proposed plant in the USA can be completed.

The plant is being designed to initially produce approximately 40,000 cubic metres (~17 million board feet) of Accoya® per annum and to allow for cost-effective expansion.

A decision whether to proceed to the next stage with plant construction, and as to funding, is expected to be made following the initial engineering and design work which is expected to be completed in the first half of the 2021 calendar year.

The carrying amount of the equity-accounted investment is as follows:

	Unaudited 6 months ended 30th Sept 2020 €'000
Opening balance	-
Additions	470
Profit/(loss) for the period	-
Closing balance	470

15. Post Balance Sheet Events

There have been no material reportable events since 30 September 2020.

Report on the consolidated interim financial statements

Our conclusion

We have reviewed Accsys Technologies Plc's consolidated interim financial statements (the "interim financial statements") in the Interim Results of Accsys Technologies Plc for the 6 month period ended 30 September 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the Condensed consolidated statement of financial position as at 30 September 2020;
- the Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flow for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results 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.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

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, 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.

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
27 November 2020