

Company Accsys Technologies PLC
TIDM AXS
Headline Interim results for the six months ended 30 September 2022
Released Number 22 November 2022



AIM: AXS
Euronext Amsterdam: AXS

22 November 2022

Accsys Technologies PLC
 (“Accsys”, the “Group” or the “Company”)

Interim Results for the six months ended 30 September 2022

Continued strong product demand - Accoya capacity expanded

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 2022 (“H1 FY 23”).

	H1 FY 23	H1 FY 22	Change
Total Group revenue	€58.9m	€56.2m	5%
Underlying gross profit	€18.1m	€17.2m	5%
Accoya® Manufacturing margin¹	30.8%	31.0%	(20bps)
Accoya Manufacturing gross profit/m²	€755	€581	30%
Underlying EBITDA³	€4.5m	€4.5m	-
Underlying EBIT⁴	€1.0m	€1.5m	(33%)
Underlying (loss) before tax	(€0.6m)	(€0.3m)	
(Loss)/profit before tax	(€56.3m)	€0.7m	
Period end net (debt)/ cash⁵	(€61.4m)	€2.4m	
Accoya® sales volume	23,957m³	29,555m ³	(19%)

Key highlights:

- Good growth in Group revenue, up 5% to €58.9m driven by increased average sales prices and product mix, despite lower volumes.
- Customer demand for Accoya® remains strong and in excess of production capacity, with a strong customer order book over the next 3 months and beyond.
- Accoya® sales volumes limited by production capacity, down 19% to 23,957m³ due to the previously reported and now resolved shutdown at the Arnhem plant in April/May 2022 around the installation of the fourth reactor (R4).
- Robust Accoya® profit with gross profit per cubic metre of Accoya up 30% to €755/m³:
 - Group Gross Profit, up 5% supported by Accoya® sales price increases offsetting higher raw material costs.
 - Accoya® manufacturing margin of 30.8% remaining above target level of 30%.
 - Underlying EBITDA flat year-on-year, with higher sales prices offsetting lower sales volumes and higher raw material costs.

- Strategic growth projects:
 - Accoya® (Arnhem) plant – R4 expansion commenced commercial operation in September 2022, with production now ramping up over two years.
 - Accoya® USA JV – Construction of new 43,000m³ plant progressing in-line with expectations towards commercial operation due by March 2024.
 - World-first Tricoya® (Hull) plant:
 - Discussions and validation work across the period led to a restructuring of the Tricoya consortium in November 2022 with Accsys obtaining 100% control and ability to complete construction on our terms at the right time.
 - Up to €35m additional capital costs identified being key reason for €58m exceptional non-cash impairment of Tricoya assets recorded in H1 FY23.
 - Construction Hold period of at least 6 months during which remaining construction work and costs will be validated while nature and extent of any required funding will be examined and the full range of potential options considered.
- Group Net Debt⁵ increased by €34.2m to €61.4m, includes transfer of €29.1m cash raised in 2021 equity issuance into US JV as previously reported
- Strong start to H2 FY 23, with October sales of 6,600m³, and targeting H2 sales volumes to be c.50% higher than H1.
- H2 FY 23 focus on cost and cash management and expected reduction in inventory levels.

Notes

¹ Accoya® Manufacturing margin is defined as Accoya® segmental underlying gross profit (excluding Licence income) divided by Accoya® segmental revenue (excluding Licence income and marketing services) (See note 2 to the financial statements)

² Accoya® Manufacturing gross profit per m³ margin is defined as Accoya® segmental underlying gross profit (excluding Licence income) divided by Accoya® sales volume (See note 2 to the financial statements)

³ Underlying EBITDA is defined as Operating profit/(loss) before Exceptional items and other adjustments, depreciation and amortisation, and includes the Group's attributable share of our USA joint venture's underlying EBITDA. (See note 2 to the financial statements).

⁴ Underlying EBIT is defined as Operating profit/(loss) before Exceptional items and other adjustments, and includes the Group's attributable share of our USA joint venture's underlying EBIT. (See note 2 to the financial statements).

⁵ Net cash/(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). Net Debt at 31 March 2022 was €27.2m.

Robert Harris, CEO, commented:

“We delivered a resilient Accoya® performance for the half. We continue to see strong demand for our Accoya® and Tricoya® products as customers focus on higher performance materials and sustainability in their procurement decisions.

With this demand, which continues to exceed supply, we have been able to substantially offset the wider market pressures from raw materials costs and supply chain disruption through price increases.

We continued to progress our growth ambitions during the half as we completed the construction of a fourth Accoya® reactor in Arnhem and we expect to see the benefit of this in sales and volumes now coming through in the second half of FY23. We reported on challenges at our Hull plant in the period and I am pleased we have recently taken 100% control of the Tricoya project giving us the ability to complete the construction on our terms, at the right time. We have also made continued good progress on our US plant construction with Eastman.

As we move into the second half of the year, demand for our products remains strong, and production levels at Arnhem (reactors 1-3) have been at capacity, while R4 production is ramping up. Conversations with our customers and their orders continue to indicate that customer demand remains in excess of our production capacity. Customers are also pleased to be seeing the benefit of gradually increasing volumes with R4 now producing Accoya®. We remain confident in both the near-term and longer-term demand and growth opportunity for our market-leading products.”

Analyst presentation

There will be a presentation relating to these results for analysts at 10:00am UK time (11:00am CET) today. The presentation will take the form of a webcast and conference call, details of which are below:

Webcast URL for Participants: (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/wrfcy3w9>

Questions / Phone Participants: for those participants who would like to ask a question live over the phone lines, please register on the following link. You will then be sent a confirmation email with a link to dial-in numbers.

Click on the link below or copy and paste ALL of the following text into your browser to register and obtain audio details:

<https://register.vevent.com/register/Blaa80734c70ab433791a4030f76ebe15e>

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Introduction

During the first half of the 2023 financial year, demand for our high-performance sustainable wood products has remained strong. Our customers continued to seek more product from us than we had capacity to produce in the period.

While our production capacity at Arnhem remained constrained during the period, we have been able to deliver 5% growth in Group revenue through increased average sales prices. This is despite a 19% decline in Accoya® sales volumes due to previously reported production outages linked to the completion of the Fourth Reactor in Arnhem during April and May.

Overall profitability remained resilient due to increased average sales prices and an energy price surcharge mechanism which have successfully offset raw material cost increases, including the impact of volatile and elevated acetyl and energy prices in Europe.

During the period we progressed two of our key strategic capacity expansion projects. We completed the expansion of our Accoya® plant at Arnhem, in which a fourth reactor (R4) has been added with commercial operations commencing in September and with production and sales volumes increasing as planned since then. In the USA, we commenced construction of a new 43,000m³ per annum capacity Accoya plant in Kingsport Tennessee in April, under our JV with Eastman Chemical Corporation which remains on track to be completed by March 2024.

Our Tricoya facility at Hull, UK, encountered further delays in the final construction and commissioning schedule. This led to a slow-down in work while trying to agree the funding of these associated cost overruns with our consortium partners in H1 FY23. Whilst these further delays and costs have been disappointing, we were pleased to subsequently announce a resolution to the challenges within the consortium in November 2022.

We continue to see strong customer traction and support for our product with leading industry partners and multinational companies, such as Google where Accoya® has been specified on the large new Google HQ building in Kings Cross, London. Accoya's outstanding performance has also been recognised through prestigious award wins, including the Green Building Product of the year from EmiratesGBC and the Best of Products from The Architect's Newspaper USA.

Summary of results

<u>Accoya® segment – summary of results</u>	Six months ended 30 September 2022	Six months ended 30 September 2021	Change - %
Accoya® sales volume – cubic metres	23,957	29,555	(19%)
Accoya® segmental revenue	€58.7m	€55.4m	+6%
Accoya® wood revenue	€51.1m	€48.5m	+5%
Licence income	-	-	
Acetic acid sales	€7.4m	€6.8m	+9%
Manufacturing margin – %	30.8%	31.0%	(0.2%)
Manufacturing gross profit/m ³	755	581	+30%
Underlying EBITDA	€10.4m	€10.3m	+1%
Underlying EBIT	€7.7m	€8.0m	(4%)

The Accoya® business produced lower sales volumes (-19%) in H1 FY23, due to the April-May plant shutdown during the completion of the R4 capacity expansion.

Accoya® segment revenue growth of 6% comprised wood revenue growth of 5% and acetic acid sales growth of 9%. The increase in wood revenue was driven by increased average sales prices, reflecting the continuing strong demand from customers and increased sales prices to offset higher raw material costs during the period. Price rises were implemented during the summer of 2022. An energy price premium was also introduced in the period which, in addition to the sales price increase, has mitigated the impact of high and volatile prices for acetic anhydride, the raw material we use in our acetylation process to acetylate the raw wood. Acetic anhydride prices have increased and become volatile in the period, with a corresponding trend in gas market pricing in Europe during the period due to wider macro-economic and geopolitical events.

Our sales of acetic acid, which is a by-product of our use of acetic anhydride for our acetylation process, increased by 9% driven by higher market pricing linked to the same macro-trend impacting our raw material purchase pricing. The business therefore has a part natural hedge against volatile acetic anhydride pricing.

As set out in further detail in the Financial Review, underlying Accoya segment EBITDA grew by 1% and the segment's manufacturing margin was 30.8%. While margin was down by 20 bps, it remains above our target level of over 30%. These profit outcomes reflect the impact of lower sales volumes while maintaining fixed operating costs, but where increased pricing has successfully mitigated the higher raw material costs in the period. As a result, profitability at the Accoya® product level has improved significantly and for each cubic metre of product sold in the segment, gross profit increased from €581/m³ to €755/m³ representing a 30% increase compared to the same period last year. We expect further good progress over time on this metric through operating with greater economies of scale and product mix.

We have continued to see strong underlying demand for Accoya® across our regions and with our Tricoya® panel manufacturing partners. The reduction in sales volumes by 19% overall, was reflective of the reduced production level following the shut down in April and May connected with the R4 project.

The year-on-year sales movements across our geographic regions reflect the lower volumes available to those regions due to the limited supply as we remained at capacity production levels while the Arnhem plant was operational. We expect sales volumes in these markets to improve as increased volumes become available from Arnhem with the new capacity from the new fourth reactor now online and ramping up to capacity over the next two years.

	Unaudited 6 months ended 30 Sept 2022 m³	Unaudited 6 months ended 30 Sept 2021 m³
Sales volume by end market		
UK & Ireland	6,383	8,373
Rest of Europe	5,362	7,871
Tricoya®	6,452	7,092
Americas	4,049	3,909
Rest of World	1,711	2,310
	23,957	29,555

Accoya®

Strategic progress

During the period, we were pleased to complete the expansion of our Accoya plant in Arnhem which adds a new 20,000m³ reactor, enabling the site's annual capacity to increase to 80,000 cubic metres.

As reported in May 2022, we experienced some unplanned delays in the final installation, tie-ins and supply of certain equipment, which led to a delay in the expected operational start-up earlier in H1. This also resulted in an unexpected second shutdown across the plant in April/May 2022. Subsequently, during commissioning and testing of the new expansion in June, defects were identified in certain installed items of equipment which required remedial work to repair. This was repaired over the following eight weeks. The remedial works costs were around €1m, and we continue to establish whether part of this may be recoverable.

In September, the new reactor commenced commercial operation. We have since started the operational ramp up of the reactor, where we are gradually increasing the reactor's output to full capacity over a two-year period. We continue to work closely with our customers who have been waiting patiently for more product and remain strong proponents of Accoya®.

North America represents the largest potential regional market for our product, with an achievable market for Accoya® of up to almost 1,000,000 cubic metres per annum. Under our joint venture with Eastman Chemical Company (Eastman), a world leader in the production of acetyls, we are building an Accoya® plant in USA with an initial approximately 43,000 cubic metres capacity at Eastman's Kingsport, Tennessee site. The plant will replicate our existing Accoya® technology at Arnhem. Under the JV, Accsys holds a 60% interest and Eastman a 40% interest.

In March 2022 we reached a final investment decision to proceed with the project and commenced construction with ground broken in April 2022.

During H1 FY23 we have made good progress together with Eastman in progressing the construction of the plant in line with our expected timeline and budget. The plant is expected to take around two years to build and to be operational by March 2024.

In the first part of the period, ground works and deep drilling were successfully completed. This has been followed by the commencement of steelwork. Construction of the main warehouse building is underway and progressing well. Photographs of this can be found in our H1 FY23 results presentation on our website in the investor relations section of the Accsys website.

Accsys and Eastman teams are working together seamlessly, reflecting the joint and complementary expertise and strong project leadership. The construction is managed by an EPC contractor, with Eastman taking a lead role within the JV in overseeing the EPC contractor and construction project management. A strong focus on project and cost management continues by the JV. All major equipment has now been procured and multiple large sub-contracts, including piping, have now been placed. A small site team was put in place in the period as the construction continues across the site.

Safety has been established as a key priority for Accoya USA LLC at the site. Around the end of H1 FY23 we were able to celebrate 50,000 hours worked without accident.

In July 2021 we acquired a business in which to establish an Accoya Colour manufacturing plant in Barry, Wales. The 50,000 square foot (4,650 square metre) manufacturing plant has increased our ability to convert Accoya® wood into Accoya® Color – a product which combines the benefits of Accoya® wood with colour all the way through the wood from surface to core, through a patented process.

During the period, we have continued to increase production of Accoya® Color at the site compared to the end of the FY22, however the rate of increase has been moderated by the lower Accoya production volumes from Arnhem in the period.

The site is able to produce up to 12,500 cubic metres of Accoya® Color per annum, with future expansion being possible to support global demand. Accoya® Color generates higher gross profit per cubic metre than Accoya®, and will support our product-level margin over time. As we increase our Accoya production capacity, we continue to expect increased Accoya® Color sales in the medium term with its unique proposition proving attractive to customers in our target markets, particularly in the decking category where the surface-to-core grey colour will require less maintenance to retain over the long term.

Tricoya®

Strategic progress

Accsys and its former consortium partners in Tricoya UK Limited (TUK) have been building and looking to commission the world's first Tricoya® plant in Hull.

The construction of the plant was in its final stages across the period. During the early part of H1 FY23 the project moved into the commissioning stage for the plant, with a small amount of construction work being completed concurrently during the commissioning process. Based on third party specialist reports, as at November 2022, the construction of the plant is substantially complete.

During the period, the commissioning process identified that unplanned time and costs would be required in order for the plant to be brought into commercial operation. A number of factors have been identified which are relevant to this unplanned time and cost, including rework of certain areas – such as the plant's control system, the unique and 'world first' nature of the plant and its technologies and being unable to mitigate certain third-party costs, including in relation to mechanical, electrical, instrumentation, control and piping subcontractor work, to the extent previously forecast. The construction challenges and rework extended the timeline to completion and the project team costs required to oversee this, have also led to higher costs than expected.

From June 2022, Accsys moved into discussion with its consortium partners regarding the consortium's funding options for the additional costs. In September 2022, Accsys agreed to provide a further bridging loan facility of up to €8m (on a then uncommitted basis), to enable TUK to continue progressing a reduced level of commissioning activities whilst funding discussions continued. At this time, Accsys also reported that it had reduced the level of activity on site in order to reduce costs, during these discussions. These costs were lowered from a level of around €4m per month to €0.5m per month going forward. The company reported that commercial operation of Hull was unlikely to occur before the end of calendar year 2022, and that the project costs would be higher than previous estimates.

In November 2022 Accsys announced a resolution of these discussions which involved Accsys acquiring 100% of the Tricoya entities, including the Tricoya Hull plant, in exchange for issuing shares in Accsys representing 5.74% of its issued share capital.

At the same time, the debt arrangements between TUK and Natwest have been restructured, resulting in the principal debt being reduced to €6m and put onto new 7-year terms, with no capital repayments during this period.

The solvent solution allows for the continuation of Ineos and Medite's supply and off-take agreements. The reorganisation provides Accsys the option to take the Tricoya Hull Project forward on its own terms and to benefit from 100% of the long-term returns from Tricoya® wood including any future licencing in respect of the global Tricoya market opportunity.

Initially, we have stopped current site activity for at least six months (the "Hold Period"), to mitigate the risk of weaker economics on start-up due to current high and volatile acetyls raw material prices in Europe.

Third party reports have been concluded confirming up to around €35m for the remaining project capital costs to bring the plant into commercial operation, with further reviews ongoing. This would bring the expected total capital costs for the project to up to around €138m compared to the previously announced maximum of €103m reported in June 2022. However, the final total project costs will remain subject to the timeline that the project is completed over and excludes up to €0.5m monthly costs anticipated during the Hold Period.

At normalised acetyls prices the Company expects that gross margins for the Hull plant of up to 40% continue to be achievable once operating at target capacity.

Further details of this agreement, the resulting restructure of the Tricoya project, and the Company's most recent outlook for the plant in terms of costs and the timing of the Hold Period, can be found in the Company's announcement of 2 November 2022 and in the notes to the financial statements.

Group Strategic Development

In the period we have continued to focus on maintaining a strong organisational platform on which to grow and develop our operating process.

We conducted a strategic review of our engineering capabilities and other actions to drive improved capital project delivery. This has led to the establishment of a Global Engineering Centre of Excellence within the Group, and further development of our R&D function. We have increased our skills and talent in key areas including project management in addition to engineering.

Accsys also continues to invest in developing and protecting its valuable portfolio of intellectual property and confidential information. Our technology covers not only the physical equipment and engineering that underpins our manufacturing and production, but also the processes and methodology we follow in our entire supply and production chain, from the way we prepare our wood to the way we market and sell Accoya® and Tricoya® in the market.

Accsys' patent portfolio totals 402 patent family members, covering 28 distinct inventions in 45 countries with 75% of the patent family members now granted. The core technologies associated with our current and future plants for the production of Accoya® and Tricoya® wood products continue to be protected by using a combination of patenting and trade secrets to maintain our differentiation in the marketplace.

Our principal trademark portfolio covers our brands Accoya®, Tricoya®, the Trimarque device and Accsys®, protected by registrations in over 60 countries, with continued activity focused on increasing the strength of those brands. 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.

ESG

With its stated purpose of 'Changing wood to change the world', Accsys is committed to growing and operating its business in a responsible and sustainable way. Aligned with our values and business strategy, our ESG framework outlines the 10 key material issues and impact areas that we are focussed on, and how they line up against the 5 main UN Sustainable Development Goals that we look to contribute towards.

Having completed stage one of our 2020 sustainability strategy roadmap, we have moved into the second stage where we are focused on establishing specific development plans, including the setting of a site-based carbon intensity reduction target at our Arnhem facilities. We plan to have a target in place in time for the start of FY24.

Building on our commitment to transparency, Accsys is currently undergoing the re-submission process for year two of the S&P Global Corporate Sustainability Assessment (CSA). This third-party rating of ESG credentials benchmarks Accsys alongside forest and paper products industry companies, the strong majority of which are large companies with a market capitalisation of over €1bn. We intend to build on our baseline inaugural score of 38 (industry average 37) in parallel with our own internal performance metrics.

Safety

The Group has set 'Zero Harm' as a key target for our operations and is committed to developing best practice Health & Safety (HSE) across Accsys.

H1 FY23 has seen some positive HSE improvements. Our performance is improving as can be shown via our leading and lagging HSE metric indicators and also through discussions with our teams. The awareness around safety is growing day by day enabling us to develop a safety-first culture across our organisation.

Within H1 FY23 we have increased safety observation card reporting (SOC) to over 900, which is greater than our prior year total of 811. In addition, we have seen a significant increase in leadership safety tours to almost 500 tours within the first half of the year. We continue to hold monthly safety briefings for all staff and send out regular safety communications to help raise awareness.

In H1 FY23 our Lost Time Incident Rate (LTIR) per 200,000 hours worked has increased slightly from 0.5 to 0.7 (our interim target is 0.5), in part reflecting a reduction in contractor working hours from both the R4 and Hull construction projects. Our Total Recordable Incidence Rates (TRIR) has improved from 4.9 to 3.5 per 200,000 hours worked.

Outlook

We continue to see strong demand for our Accoya® and Tricoya® products as customers focus on higher performance materials and sustainability in their procurement decisions.

With this demand, we have been able to substantially offset the wider market pressures from raw materials costs and supply chain disruption through price increases.

Construction of a fourth Accoya® reactor in Arnhem is complete and we expect to see the benefit of this with additional volumes now coming through. We reported on challenges at our Hull plant in the period and I am pleased we have recently taken 100% control of the Tricoya project giving the option to complete the plant on our terms and at the right time. We have also made continued progress on our US plant construction with Eastman.

As we move into the second half of the year, demand for our products remains strong, and production levels at Arnhem (reactors 1-3) have been at capacity, while R4 production is ramping up. We recorded sales of 6,600 cubic meters in October 2022, which benefitted from R4 and some unwinding of higher inventory (work in progress) levels and are now targeting sales for the second half of the year to be approximately 50% higher than the first half.

The Hold period of at least six months for the Hull plant will allow us to focus on cash generation from Accoya® sales. Together with careful cost management and an expected reduction in inventory levels, this will help strengthen the balance sheet now that the Accoya fourth reactor has been completed.

Expectations for customer orders, as we plan over the next three months and beyond, continue to indicate customer demand remains in excess of our production capacity, while customers are also pleased to be seeing the benefit of gradually increasing volumes with R4 now producing Accoya. We remain confident both in the near term and longer-term demand and growth opportunity for our market-leading products.

Rob Harris

Chief Executive

22 November 2022

Introduction

Accsys has delivered a good performance in the first half of the 2023 financial year, with 5% revenue growth, on lower sales volumes, driven by increased sales prices and strong ongoing demand for our products.

Accoya® manufacturing margin per cubic metre increased 30% to €755/m³ with increased sales prices and the energy price premium implemented during the first half more than offsetting the increase in variable input costs during the first half. Gross profit increased 5% to €18.1m, with the increased margin per cubic metre offsetting the 19% decrease in sales volumes, due to the previously reported shutdown at the Arnhem Accoya® plant in April/May 2022 for the final fourth reactor expansion project tie-ins.

Underlying EBITDA was in line with the prior year at €4.5m.

Net debt increased by €34.2m in the period to €61.4m due to Capex investments of €22.6m into our Accoya® Arnhem reactor 4 project, our Tricoya® Hull project and the planned investment into Accoya USA following the final investment decision in March 2022 (€29.1m). This was partially offset by a successful Placing in May 2022 raising net proceeds of approximately €19m to strengthen the Group's balance sheet, increase liquidity headroom, provide additional working capital and fund additional costs to complete Arnhem's fourth reactor expansion project.

As detailed in the CEO report, on-going challenges have been experienced on the Tricoya® Hull project during the first half, with additional work and re-work being identified during the commissioning process to complete the project, resulting in additional costs.

Following discussions with its Tricoya® consortium partners regarding the consortium's funding options for the additional costs, Accsys agreed to provide a further bridging loan facility of up to €8m (on an uncommitted basis) in addition to the €17m loan already provided to TUK, to enable TUK to continue progressing a reduced level of commissioning activities whilst funding discussions continued. The level of activity on site was also reduced in order to decrease costs with Accsys reporting that commercial operation of Hull was unlikely to occur before the end of calendar year 2022, and that the project costs would be higher than previous estimates.

After the end of the period in November 2022, Accsys announced a resolution in the discussions with our Tricoya® consortium partners which has since resulted in Accsys agreeing to acquire 100% of the Tricoya® entities, including the Tricoya® Hull plant. Further details of this agreement, the resulting restructure of the Tricoya® project, and the Company's most recent outlook for the plant in terms of costs and the timing of the Hold Period are included in the CEO report and can be found in the Company's announcement of 2 November 2022.

Following these events, an impairment assessment was required to be performed under IAS 36 (Impairment of Assets) on the Tricoya® segment's Gross assets with an impairment loss of €58m being recognised as an exceptional item in the first half. The calculated impairment was impacted by:

- 1) An increase in the capex to complete the construction of the Tricoya® Hull plant of €35m, as reported on 2 November 2022
- 2) A higher pre-tax WACC rate (used for the discount rate) increasing by 2.3% to 12.8% principally due to higher market interest rates
- 3) An adverse impact on future operational cashflows as assessed at the end of September 2022 due to higher market acetyl prices

The impairment loss recognised is a non-cash item.

Statement of comprehensive income

Group revenue increased by 5% to €58.9m for the period ended 30 September 2022 (H1 FY22: €56.2m). Group revenue growth was driven by continuing strong market demand for Accoya® and Tricoya® and increases in average product sales prices for both wood and acetic acid during the year and the effect of increases introduced in the prior year, which were implemented to address rising raw material costs. An energy price premium, a surcharge added to the sales price to customers, was also successfully introduced during the first half, to offset the significant increase in acetyl prices. This resulted in revenue from Accoya® wood increasing by 5% to €51.1m.

Accoya® sales volumes of 23,957m³ were 19% lower than the prior year period due to the previously reported shutdown at the Arnhem Accoya® plant in April/May 2022 for the final fourth reactor expansion project tie-ins. The fourth reactor has since been successfully commissioned and operational from the start of September 2022.

Included within Accoya® wood revenue, in the Accoya® segment, are sales to Medite and Finsa for the manufacture of Tricoya® panels used to develop the market for Tricoya® products ahead of the start-up of the Tricoya® plant. This revenue was in-line with the prior year at €8.7m (H1 FY22: €8.5m), with the associated volume representing 27% of Accoya® sales volumes (H1 FY22: 24%).

Tricoya® panel revenue of €0.2m (H1 FY22: €0.9m), in the Tricoya® segment, 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.

Other Revenue, which predominantly relates to the sale of our acetic acid by-product, increased by 10% to €7.6m (H1 FY22: €6.9m) due to higher acetyls market pricing.

Group gross profit of €18.1m was 5% higher than the prior year (H1 FY22: €17.2m).

Cost of sales increased by 4%, on 19% lower sales volumes, driven primarily by higher cost of raw materials, with the largest raw material cost increase in acetic anhydride. Accsys sells its acetic acid by-product back into the same acetyls market, which continued to act as a partial hedge to these higher costs. The net acetyls cost, increased by 49% in H1 FY23 compared to H1 FY22.

Raw wood input costs were also moderately higher however the cost of this raw material overall remains more stable than the wider lumber market as we purchase appearance-grade wood under long term supply contracts with many of our partners.

Underlying Gross Profit margin was in-line with the prior year at 31% with Accoya® manufacturing margin per cubic metre of Accoya® sold increasing by 30% to €755/m³. Looking forward, there is opportunity for further growth as we expect to benefit from economies of scale from the expanded Accoya® plant and further changes to product mix after the Tricoya® plant in Hull commences operation.

Underlying other operating costs excluding depreciation and amortisation, increased from €12.6m to €13.3m due primarily to higher insurance and audit fee costs.

Depreciation and amortisation charges increased by €0.5m to €3.5m following the purchase of assets in Barry, UK to grow production of Accoya® Color in July 2021, and the fourth reactor commencing operational production from the start of September 2022.

Underlying finance expenses decreased €0.2m to €1.5m, following the refinance of Group Debt Facilities in October 2021 which decreased the average interest rate payable on the Group's borrowings, partially offset by interest payable on the Convertible loan agreed with De Engh in March 2022 related to the funding agreements for Accoya USA JV.

An impairment loss (exceptional item) of €58m has been recognised in the period relating to the Tricoya® segment. Following the project challenges detailed in the CEO report, an impairment assessment was performed on the Tricoya® segment. The calculated impairment is described above in the Introduction and has been recognised as a non-cash exceptional item.

An exceptional item of €0.5m was also recognised representing advisory fees incurred in relation to the Tricoya® Consortium reorganisation completed subsequent to the period end. In the prior year period, redundancy costs of €0.1m were recognised in relation to the purchase of assets in Barry, UK utilised to manufacture Accoya® Color.

Other adjustments for the year, which are also excluded from Underlying results, include a foreign exchange gain of €1.4m related to US dollars held as Cash for investment into Accoya USA. Following the May 2021 equity raise, the amount raised to invest into Accoya USA was translated into US dollars and held in cash ensuring that foreign exchange movements did not decrease the amount raised below the future US dollar investment into Accoya USA. This treatment did not meet the requirements for hedge accounting under IFRS 9, Financial instruments and therefore the foreign exchange gain on the revaluation of the US dollars has been accounted for in Finance Expenses as an Other adjustment. Also included in Other adjustments is a foreign exchange gain of €1.3m related to USD cash pledged to ABN Amro for the Letter of credit provided to FHB as part of the Accoya USA funding arrangements. See note 12 for further details.

Underlying loss before tax increased to €0.6m (H1 FY22: €0.3m). After taking into account exceptional items (including the impairment loss) and other adjustments, loss before tax increased to €56.3m (H1 FY22 profit: €0.7m).

The tax charge decreased by €0.2m to €0.4m (H1 FY22: €0.6m).

Cash flow

Cash flows generated from operating activities before changes in working capital and exceptional items increased by €0.2m to €5.2m (H1 FY22: €5.0m) reflecting continued good operational cash flow generated by the Arnhem Accoya® plant.

Inventory levels increased by €12m during the period with higher raw material levels held due to the expected ramp-up of the fourth reactor, which increases production capacity by 33% but which was also partially impacted by the delay in start-up of the fourth reactor and the long lead time for raw material purchases from New Zealand. There was also a temporary build up in WIP & finished goods balances following the commercial start-up of the fourth reactor and wood automation equipment. The inventory balance is expected to decrease significantly in the second half of the financial year.

In May 2022, Accsys completed a successful Placing for an issue of shares in the Company, raising net proceeds of approximately €19.0 million. The net proceeds have been used primarily to strengthen the Group's balance sheet, increase liquidity headroom, provide additional working capital and fund additional costs to complete Arnhem's fourth reactor expansion project.

At 30 September 2022, the Group held cash balances of €18.1m, representing a €24m decrease in the period. The cash decrease in the period is attributable to construction progress made on the Arnhem plant expansion project (€6.3) and our Tricoya® plant construction in Hull (€16.3m), planned investment into Accoya USA following the final investment decision in March 2022 (€29.1m) and the increase in inventory referred to above. This was partially offset by the successful Placing and, proceeds from loans (€10m, explained further below) and cash flow generated from operating activities referred to above. When adjusting for the Cash pledged for the Letter of Credit provided to First Horizon Bank ('FHB') (\$11m – see note 12) and in the prior year adjusting for the cash earmarked to be invested into Accoya USA, Adjusted Cash increased during the period to €7.2m (see note 12).

Financial position

Plant and machinery additions of €20.5m (H1 FY22: €7.5m) in the period largely consisted of the construction of the fourth reactor expansion project in Arnhem and the Tricoya[®] plant in Hull. The prior year primarily related to construction on the Tricoya[®] plant build in Hull and the fourth Reactor expansion project in Arnhem.

Trade and other receivables decreased to €11.3m (H1 FY22: €12.5m) primarily due to a €1m decrease in trade receivables relating to close working capital management.

Trade and other payables increased €4.8m to €26.6m (H1 FY22: €21.8m) with an increase in trade payables due to the timing of payments on our expansion projects in Hull and Arnhem.

Amounts payable under loan agreements increased to €74.9m (FY22: €64.0m) due to the drawdown of €5m on the ABN Revolving credit facility and €5m on the Tricoya[®] Natwest €17.2m facility.

Net debt increased by €34.2m in the period to €61.4m (FY22: €27.2m) due to Capex investments of €22.6m, investment into Accoya USA (€29.1m) and the increase in inventory partially offset by the successful Placing (net proceeds of €19.0m). Net debt is expected to reduce in H2 as a result of the amended agreement with Natwest associated with the Hull plant, which has resulted in the principal debt being reduced by approximately €9m, together with cash expected to be generated from the Accoya business including reduction in inventory levels.

Tricoya[®] consortium restructuring

As detailed in the CEO report, after the end of the period in November 2022, Accsys agreed to acquire 100% of the two Tricoya[®] entities (Tricoya UK Limited and Tricoya Technologies Limited), including the Tricoya[®] Hull plant. Further details of this agreement, the resulting restructure of the Tricoya[®] project, and the Company's most recent outlook for the plant in terms of costs and the timing of the Hold Period can be found in the CEO's report, and in note 15.

Risks and uncertainties

As described on page 42 to 48 of the 2022 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 2022 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:

Finance, Health, Safety & Environment; Hull plant; Supply chain stability; Manufacturing; Licensing/Partnering; Litigation & disputes; Expansion; Development and Supply of Raw Materials; Personnel; Sale of Products; Protection of Intellectual Property & trade secrets; Environmental, Social & Governance (ESG) and Sustainability; IT; Reputational risk and Governance, Compliance & Law.

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 assessed the Group's trading forecasts, working capital requirements and covenant compliance for the foreseeable future under a base case scenario, taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place. The Directors have also assessed a severe but

plausible downside scenario with reduced sales volumes and lower gross margin, also reflecting the possible impact of volatile raw material costs.

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. In both scenarios, the Directors have assumed no commitment will be made to complete the construction and start-up of the Tricoya® plant in Hull until appropriate funding arrangements have been put in place.

The Directors' have taken into account the reorganisation of the Tricoya® consortium and restructuring of its bank debt completed in November 2022 which resulted in Accsys becoming the 100% owner of the Tricoya® plant and with a commitment to fund the balance of the €8m loan which was previously put in place.

The Directors' have also considered the possible amount and timing of capital expenditure required to complete the Accoya® plant in the USA, noting that notwithstanding that the construction project benefits from certain contractual measures in place with the lead construction contractor, Accsys has guaranteed to fund its 60% share of cost overruns, should they arise.

The Directors believe 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.

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, under both the base scenario and severe but plausible downside scenario, there is sufficient liquidity and covenant headroom such that there is no material uncertainty with respect to going concern and have prepared the financial statements on this basis.

William Rudge
Finance Director
22 November 2022

Accsys Technologies PLC

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 the AIM Rules for Companies and IAS 34 Interim Financial Reporting as endorsed by the European Union and as adopted for use in the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and its subsidiaries;
- the interim management report for the six months ended 30 September 2022 gives a fair review of the information required under the Dutch Financial Markets Supervision Act.

By order of the Board

Nick Hartigan
Company Secretary
22 November 2022

Accsys Technologies PLC

Condensed consolidated statement of comprehensive income for the six months ended 30 September 2022

	Note	Unaudited 6 months ended	Unaudited 6 months ended	Unaudited 6 months ended	Unaudited 6 months ended	Unaudited 6 months ended	Unaudited 6 months ended	Audited Year ended	Audited Year ended	Audited Year ended
		30 Sept 2022	30 Sept 2022	30 Sept 2022	30 Sept 2021	30 Sept 2021	30 Sept 2021	31 March 2022	31 March 2022	31 March 2022
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
		Underlying	Exceptional items & other adjustments*	Total	Underlying	Exceptional items & other adjustments*	Total	Underlying	Exceptional items & other adjustments*	Total
Accoya® wood revenue		51,088	-	51,088	48,465	-	48,465	105,053	-	105,053
Tricoya® panel revenue		201	-	201	860	-	860	1,459	-	1,459
Licence revenue		11	-	11	9	-	9	416	-	416
Other revenue		7,584	-	7,584	6,901	-	6,901	13,924	-	13,924
Total revenue	2	58,884	-	58,884	56,235	-	56,235	120,852	-	120,852
Cost of sales		(40,742)	-	(40,742)	(39,032)	-	(39,032)	(84,852)	-	(84,852)
Gross profit		18,142	-	18,142	17,203	-	17,203	36,000	-	36,000
Other operating costs	3	(16,773)	(58,481)	(75,254)	(15,655)	(151)	(15,806)	(31,541)	(136)	(31,677)
Operating profit/(loss)		1,369	(58,481)	(57,112)	1,548	(151)	1,397	4,459	(136)	4,323
Finance expense		(1,530)	2,699	1,169	(1,722)	1,078	(644)	(2,893)	544	(2,349)
Share of net loss of joint venture accounted for using the equity method	14	(403)	-	(403)	(91)	-	(91)	(261)	-	(261)
(Loss)/profit before taxation		(564)	(55,782)	(56,346)	(265)	927	662	1,305	408	1,713
Tax expense	5	(357)	-	(357)	(622)	-	(622)	(1,015)	-	(1,015)
(Loss)/profit for the period		(921)	(55,782)	(56,703)	(887)	927	40	290	408	698
<i>Items that may be reclassified to profit or loss</i>										
Gain arising on translation of foreign operations		67	-	67	213	-	213	153	-	153
Gain arising on foreign currency cash flow hedges		-	90	90	-	(268)	(268)	-	66	66
Total other comprehensive income		67	90	157	213	(268)	(55)	153	66	219
Total comprehensive (loss)/gain for the period		(854)	(55,692)	(56,546)	(674)	659	(15)	443	474	917
Total comprehensive (loss)/gain for the year is attributable to:										
Owners of Accsys Technologies PLC		(214)	(26,155)	(26,369)	219	692	911	2,083	474	2,557
Non-controlling interests		(640)	(29,537)	(30,177)	(893)	(33)	(926)	(1,640)	-	(1,640)
Total comprehensive (loss)/gain for the period		(854)	(55,692)	(56,546)	(674)	659	(15)	443	474	917
Basic (loss)/profit per ordinary share	6	€(0.00)		€(0.13)	€0.00		€0.01	€0.01		€0.01
Diluted (loss)/profit per ordinary share	6	€(0.00)		€(0.12)	€0.00		€0.00	€0.01		€0.01

The notes set out on pages 20 to 40 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 2022

		Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
Non-current assets				
Intangible assets	8	6,852	10,962	10,834
Investment accounted for using the equity method	14	31,942	1,421	3,216
Property, plant and equipment	9	140,422	145,206	176,661
Right of use assets		4,087	5,120	4,632
Financial asset at fair value through profit or loss		-	-	-
		183,303	162,709	195,343
Current assets				
Inventories		32,354	18,105	20,371
Trade and other receivables		11,333	12,540	16,934
Cash and cash equivalents		18,123	60,921	42,054
Corporation tax receivable		503	153	435
Derivative financial instrument		-	106	3
		62,313	91,825	79,797
Current liabilities				
Trade and other payables		(26,620)	(21,767)	(29,880)
Obligation under lease liabilities		(790)	(1,108)	(1,024)
Short term borrowings	12	(19,686)	(16,269)	(11,654)
Corporation tax payable		(3,615)	(2,514)	(3,184)
Derivative financial instrument		(77)	-	-
		(50,788)	(41,658)	(45,742)
Net current assets		11,525	50,167	34,055
Non-current liabilities				
Obligation under lease liabilities		(3,806)	(4,630)	(4,193)
Other long term borrowing	12	(55,210)	(36,535)	(52,335)
Financial guarantee		-	-	-
		(59,016)	(41,165)	(56,528)
Total net assets		135,812	171,711	172,870
Equity				
Share capital	10	10,343	9,619	9,638
Share premium account		241,662	223,035	223,326
Other reserves	11	114,791	114,367	114,701
Accumulated loss		(236,584)	(211,795)	(210,505)
Own shares		(6)	(5)	(6)
Foreign currency translation reserve		257	250	190
Capital value attributable to owners of Accsys Technologies PLC		130,463	135,471	137,344
Non-controlling interest in subsidiaries		5,349	36,240	35,526
Total equity		135,812	171,711	172,870

The notes set out on pages 20 to 40 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 2022

	Share capital Ordinary	Share premium	Other reserves	Own Shares	Foreign currency translation 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 31 March 2021	8,466	189,598	114,635	(36)	37	(213,263)	99,437	37,166	136,603
Profit/(Loss) for the year	-	-	(268)	-	-	966	698	(926)	(228)
Other comprehensive income for the year	-	-	-	-	213	-	213	-	213
Share based payments	-	-	-	-	-	533	533	-	533
Shares issued	1,153	-	-	31	-	(31)	1,153	-	1,153
Premium on shares issued	-	35,531	-	-	-	-	35,531	-	35,531
Share issue costs	-	(2,094)	-	-	-	-	(2,094)	-	(2,094)
Balance at 30 Sept 2021 (unaudited)	9,619	223,035	114,367	(5)	250	(211,795)	135,471	36,240	171,711
Profit/(Loss) for the year	-	-	-	-	-	1,372	1,372	(714)	658
Other comprehensive income for the year	-	-	334	-	(60)	-	274	-	274
Share based payments	-	-	-	-	-	(70)	(70)	-	(70)
Shares issued	19	-	-	(1)	-	(12)	6	-	6
Premium on shares issued	-	391	-	-	-	-	391	-	391
Share issue costs	-	(100)	-	-	-	-	(100)	-	(100)
Balance at 31 March 2022	9,638	223,326	114,701	(6)	190	(210,505)	137,344	35,526	172,870
Profit/(Loss) for the year	-	-	-	-	-	(26,526)	(26,526)	(30,177)	(56,703)
Other comprehensive income for the year	-	-	90	-	67	-	157	-	157
Share based payments	-	-	-	-	-	462	462	-	462
Shares issued	705	-	-	-	-	(15)	690	-	690
Premium on shares issued	-	19,422	-	-	-	-	19,422	-	19,422
Share issue costs	-	(1,086)	-	-	-	-	(1,086)	-	(1,086)
Balance at 30 Sept 2022 (unaudited)	10,343	241,662	114,791	(6)	257	(236,584)	130,463	5,349	135,812

Share capital is the amount subscribed for shares at nominal value (note 10).

Share premium account represents the excess of the amount subscribed for share capital over the nominal value of these shares, net of share issue expenses. Share issue expenses comprise the costs in respect of the issue by the Company of new shares.

See note 11 for details concerning other reserves.

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

Foreign currency translation reserve arises on the re-translation of the Group's USA subsidiary's net assets which are denominated in a different functional currency, being US dollars.

Accumulated losses represent the cumulative loss of the Group attributable to the owners of the parent.

The notes set out on pages 20 to 40 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 2022

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
(Loss)/profit before taxation before exceptional items and other adjustments	(564)	(265)	1,305
<i>Adjustments for:</i>			
Amortisation of intangible assets	389	366	745
Depreciation of property, plant and equipment and right of use assets	3,095	2,643	5,419
Net (gain) on disposal of property, plant and equipment	(3)	-	-
Net finance expense	1,493	1,722	2,891
Equity-settled share-based payment expenses	462	533	463
Accsys portion of Licence fee received from joint venture	-	-	600
Share of net loss of joint venture	403	91	261
Currency translation gain/(loss)	(116)	(93)	(171)
Cash inflows from operating activities before changes in working capital and exceptional items	5,159	4,997	11,513
Exceptional Items in operating activities (see note 4)	(484)	(133)	(133)
Cash inflows from operating activities before changes in working capital	4,675	4,864	11,380
Decrease/(increase) in trade and other receivables	5,550	255	(5,058)
(Decrease) in deferred income	-	-	(33)
(Increase) in inventories	(11,982)	(5,843)	(8,110)
(Decrease)/Increase in trade and other payables	(515)	1,186	4,034
Net cash from operating activities before tax	(2,272)	462	2,213
Tax received	6	59	56
Net cash from operating activities	(2,266)	521	2,269
Cash flows from investing activities			
Investment in property, plant and equipment	(22,595)	(17,196)	(44,612)
Foreign exchange deal settlement related to hedging of Hull capex	-	-	190
Investment in intangible assets	(207)	(463)	(714)
Investment in joint venture	(29,132)	(1,186)	(3,751)
Net cash used in investing activities	(51,934)	(18,845)	(48,887)
Cash flows from financing activities			
Proceeds from loans	10,000	-	54,500
Other finance costs	(173)	(36)	(392)
Interest Paid	(992)	(1,251)	(2,241)
Repayment of lease liabilities	(538)	(504)	(1,089)
Repayment of loans/rolled up interest	-	(2,097)	(46,939)
Proceeds from issue of share capital/sale of own shares	20,112	36,684	37,094
Share issue costs	(1,086)	(2,094)	(2,194)
Net cash from financing activities	27,323	30,702	38,739
Net (decrease)/increase in cash and cash equivalents	(26,877)	12,378	(7,879)
Effect of exchange gain/(loss) on cash and cash equivalents	2,946	945	2,335
Opening cash and cash equivalents	42,054	47,598	47,598
Closing cash and cash equivalents	18,123	60,921	42,054

The notes set out on pages 20 to 40 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 for release on 22 November 2022. These condensed consolidated financial statements have not been 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 and as adopted for use in the United Kingdom, in particular International Accounting Standard (IAS) 34 "interim financial reporting" and the AIM Rules for Companies and the Dutch Financial Markets Supervision Act.

On 31 December 2020, IFRS as adopted by the European Union at that date, was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial information for the six months ended 30 September 2022 and the six months ended 30 September 2021 is unaudited. The comparative financial information for the full year ended 31 March 2022 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 30 June 2022. 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. This financial information is to be read in conjunction with the annual report for the year ended 31 March 2022, which has been prepared in accordance with both International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 2022. The results for the six months ended 30 September 2021 have been restated to show a reclassification of an other adjustment of €847,000 from the Hedge effectiveness reserve to Finance Expenses. This amount relates to a foreign exchange gain on Cash held for investment into our USA Joint Venture and has been reclassified following the accounting treatment followed in the results for the year ended 31 March 2022. (see note 4).

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 2023 Annual Report. The accounting policies applied for preparation of condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 March 2022, as described in those financial statements.

1. Accounting policies (continued)

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 assessed the Group's trading forecasts, working capital requirements and covenant compliance for the foreseeable future under a base case scenario, taking into account the Group's financial resources including the current cash position and banking and finance facilities which are currently in place. The Directors have also assessed a severe but plausible downside scenario with reduced sales volumes and lower gross margin, also reflecting the possible impact of volatile raw material costs.

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. In both scenarios, the Directors have assumed no commitment will be made to complete the construction and start-up of the Tricoya® plant in Hull until appropriate funding arrangements have been put in place.

The Directors' have taken into account the reorganisation of the Tricoya consortium and restructuring of its bank debt completed in November 2022 which resulted in Accsys becoming the 100% owner of the Tricoya plant and with a commitment to fund the balance of the €8m loan which was previously put in place.

The Directors' have also considered the possible amount and timing of capital expenditure required to complete the Accoya® plant in the USA, noting that notwithstanding that the construction project benefits from certain contractual measures in place with the lead construction contractor, Accsys has guaranteed to fund its 60% share of cost overruns, should they arise.

The Directors believe 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.

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, under both the base scenario and severe but plausible downside scenario, there is sufficient liquidity and covenant headroom such that there is no material uncertainty with respect to going concern and have prepared the financial statements on this basis.

Accsys Technologies PLC

Notes to the financial statements for the six months ended 30 September 2022, continued

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. The Group's operating segments are reported in a manner consistent with the internal reporting provided to the executive committee, the chief operating decision-making body.

Accoya®

	Accoya® Segment								
	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2021	6 months ended 30 September 2021	6 months ended 30 September 2021	12 months ended 31 March 2022	12 months ended 31 March 2022	12 months ended 31 March 2022
	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	€'000
Accoya® wood revenue	51,088	-	51,088	48,465	-	48,465	105,053	-	105,053
Licence revenue	-	-	-	-	-	-	400	-	400
Other revenue	7,584	-	7,584	6,895	-	6,895	13,879	-	13,879
Total Revenue	58,672	-	58,672	55,360	-	55,360	119,332	-	119,332
Cost of sales	(40,580)	-	(40,580)	(38,184)	-	(38,184)	(83,435)	-	(83,435)
Gross profit	18,092	-	18,092	17,176	-	17,176	35,897	-	35,897
Other operating costs	(10,035)	-	(10,035)	(9,097)	(133)	(9,230)	(19,116)	(133)	(19,249)
Profit from operations	8,057	-	8,057	8,079	(133)	7,946	16,781	(133)	16,648
Profit from operations	8,057	-	8,057	8,079	(133)	7,946	16,781	(133)	16,648
Share of Accoya® USA EBITDA	(403)	-	-	(91)	-	-	(261)	-	-
EBIT	7,654	-	8,057	7,988	(133)	7,946	16,520	(133)	16,648
Depreciation and amortisation	2,786	-	2,786	2,297	-	2,297	4,787	-	4,787
EBITDA	10,440	-	10,843	10,285	(133)	10,243	21,307	(133)	21,435

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

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

Average headcount = 168 (H1 FY22: 159)

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 2022	6 months ended 30 September 2021	Year ended 31 March 2022
	€'000	€'000	€'000
Accoya® segmental underlying EBITDA	10,440	10,285	21,307
Accoya® underlying Licence Income	-	-	(400)
Accoya® segmental manufacturing EBITDA (excluding licence income)	10,440	10,285	20,907
Accoya® segmental gross profit	18,092	17,176	35,897
Accoya® Licence Income	-	-	(400)
Accoya® Manufacturing gross profit	18,092	17,176	35,497
Gross Accoya® Manufacturing Margin	30.8%	31.0%	30.0%

Accsys Technologies PLC

Notes to the financial statements for the six months ended 30 September 2022, continued

2. Segmental reporting (continued)

	6 months ended 30 September 2022 €	6 months ended 30 September 2021 €	Year ended 31 March 2022 €
Accoya® Manufacturing gross profit - €'000	18,092	17,176	35,497
Accoya® sales volume - m ³	23,957	29,555	59,649
Accoya® manufacturing gross profit per m ³	755	581	595

Tricoya®

	Tricoya® Segment								
	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2021	6 months ended 30 September 2021	6 months ended 30 September 2021	12 months ended 31 March 2022	12 months ended 31 March 2022	12 months ended 31 March 2022
	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000	Underlying €'000	Exceptional items & Other Adjustments €'000	TOTAL €'000
Tricoya® panel revenue	201	-	201	860	-	860	1,459	-	1,459
Licence revenue	11	-	11	9	-	9	16	-	16
Other revenue	-	-	-	6	-	6	45	-	45
Total Revenue	212	-	212	875	-	875	1,520	-	1,520
Cost of sales	(162)	-	(162)	(848)	-	(848)	(1,417)	-	(1,417)
Gross profit	50	-	50	27	-	27	103	-	103
Other operating costs	(1,733)	(57,997)	(59,730)	(2,028)	(18)	(2,046)	(3,811)	(3)	(3,814)
Loss from operations	(1,683)	(57,997)	(59,680)	(2,001)	(18)	(2,019)	(3,708)	(3)	(3,711)
Loss from operations	(1,683)	(57,997)	(59,680)	(2,001)	(18)	(2,019)	(3,708)	(3)	(3,711)
Depreciation and amortisation	258	58,000	58,258	262	-	262	505	-	505
EBITDA	(1,425)	3	(1,422)	(1,739)	(18)	(1,757)	(3,203)	(3)	(3,206)

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

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

Average headcount = 31 (H1 FY22: 36), 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.

Accsys Technologies PLC

Notes to the financial statements for the six months ended 30 September 2022, continued

2. Segmental reporting (continued)

Corporate

	Corporate Segment								
	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2021	6 months ended 30 September 2021	6 months ended 30 September 2021	12 months ended 31 March 2022	12 months ended 31 March 2022	12 months ended 31 March 2022
	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	€'000
Total Revenue	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-
Gross result	-	-	-	-	-	-	-	-	-
Other operating costs	(4,277)	(484)	(4,761)	(3,908)	-	(3,908)	(7,430)	-	(7,430)
Loss from operations	(4,277)	(484)	(4,761)	(3,908)	-	(3,908)	(7,430)	-	(7,430)
Profit/(Loss) from operations	(4,277)	(484)	(4,761)	(3,908)	-	(3,908)	(7,430)	-	(7,430)
Depreciation and amortisation	406	-	406	416	-	416	805	-	805
EBITDA	(3,871)	(484)	(4,355)	(3,492)	-	(3,492)	(6,625)	-	(6,625)

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 = 32 (H1 FY22: 36).

Research and Development

	Research & Development Segment								
	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2021	6 months ended 30 September 2021	6 months ended 30 September 2021	12 months ended 31 March 2022	12 months ended 31 March 2022	12 months ended 31 March 2022
	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	€'000
Total Revenue	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-
Gross result	-	-	-	-	-	-	-	-	-
Other operating costs	(728)	-	(728)	(621)	-	(621)	(1,184)	-	(1,184)
Loss from operations	(728)	-	(728)	(621)	-	(621)	(1,184)	-	(1,184)
Loss from operations	(728)	-	(728)	(621)	-	(621)	(1,184)	-	(1,184)
Depreciation and amortisation	34	-	34	34	-	34	68	-	68
EBITDA	(694)	-	(694)	(587)	-	(587)	(1,116)	-	(1,116)

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 = 14 (H1 FY22: 9).

Accsys Technologies PLC

Notes to the financial statements for the six months ended 30 September 2022, continued

2. Segmental reporting (continued)

Total

	TOTAL								
	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2021	6 months ended 30 September 2021	6 months ended 30 September 2021	12 months ended 31 March 2022	12 months ended 31 March 2022	12 months ended 31 March 2022
	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	51,088	-	51,088	48,465	-	48,465	105,053	-	105,053
Tricoya® panel revenue	201	-	201	860	-	860	1,459	-	1,459
Licence revenue	11	-	11	9	-	9	416	-	416
Other revenue	7,584	-	7,584	6,901	-	6,901	13,924	-	13,924
Total Revenue	58,884	-	58,884	56,235	-	56,235	120,852	-	120,852
Cost of sales	(40,742)	-	(40,742)	(39,032)	-	(39,032)	(84,852)	-	(84,852)
Gross profit	18,142	-	18,142	17,203	-	17,203	36,000	-	36,000
Other operating costs	(16,773)	(58,481)	(75,254)	(15,655)	(151)	(15,806)	(31,541)	(136)	(31,677)
Profit from operations	1,369	(58,481)	(57,112)	1,548	(151)	1,397	4,459	(136)	4,323
Finance expense	(1,530)	2,699	1,169	(1,722)	1,078	(644)	(2,893)	544	(2,349)
Investment in joint venture	(403)	-	(403)	(91)	-	(91)	(261)	-	(261)
Profit/(Loss) before taxation	(564)	(55,782)	(56,346)	(265)	927	662	1,305	408	1,713

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

Reconciliation of underlying earnings

	Reconciliation of underlying earnings								
	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2022	6 months ended 30 September 2021	6 months ended 30 September 2021	6 months ended 30 September 2021	12 months ended 31 March 2022	12 months ended 31 March 2022	12 months ended 31 March 2022
	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
Profit from operations	1,369	(58,481)	(57,112)	1,548	(151)	1,397	4,459	(136)	4,323
Share of Accoya® USA EBITDA	(403)	-	-	(91)	-	-	(261)	-	-
EBIT	966	(58,481)	(57,112)	1,457	(151)	1,397	4,198	(136)	4,323
Depreciation and amortisation	3,484	58,000	61,484	3,009	-	3,009	6,164	-	6,164
EBITDA	4,450	(481)	4,372	4,466	(151)	4,406	10,362	(136)	10,487

2. Segmental reporting (continued)**Segmental reporting continued**

Assets and liabilities on a segmental basis:

	Accoya® Sept 2022 €'000	Tricoya® Sept 2022 €'000	Corporate Sept 2022 €'000	R&D Sept 2022 €'000	TOTAL Sept 2022 €'000
Non-current assets	122,915	55,803	4,390	195	183,303
Current assets	35,276	3,827	23,141	69	62,313
Current liabilities	(10,998)	(32,006)	(7,718)	(66)	(50,788)
Net current assets	24,278	(28,179)	15,423	3	11,525
Non-current liabilities	(2,547)	(1,174)	(55,210)	(85)	(59,016)
Net assets	144,646	26,450	(35,397)	113	135,812
	Accoya® Sept 2021 €'000	Tricoya® Sept 2021 €'000	Corporate Sept 2021 €'000	R&D Sept 2021 €'000	TOTAL Sept 2021 €'000
Non-current assets	78,153	79,895	4,399	262	162,709
Current assets	44,766	9,425	34,194	3,440	91,825
Current liabilities	(19,198)	(10,766)	(11,599)	(95)	(41,658)
Net current assets	25,568	(1,341)	22,595	3,345	50,167
Non-current liabilities	(20,006)	(10,188)	(10,836)	(135)	(41,165)
Net assets	83,715	68,366	16,158	3,472	171,711
	Accoya® March 2022 €'000	Tricoya® March 2022 €'000	Corporate March 2022 €'000	R&D March 2022 €'000	TOTAL March 2022 €'000
Non-current assets	91,278	99,718	4,119	228	195,343
Current assets	36,899	4,425	33,452	5,021	79,797
Current liabilities	(19,399)	(21,112)	(5,156)	(75)	(45,742)
Net current assets	17,500	(16,687)	28,296	4,946	34,055
Non-current liabilities	(2,826)	(1,252)	(52,339)	(111)	(56,528)
Net assets	105,952	81,779	(19,924)	5,063	172,870

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.

2. Segmental reporting (continued)

Segmental reporting continued

Analysis of revenue by geographical destination:

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
UK & Ireland	21,182	21,484	43,053
Rest of Europe	22,400	22,557	45,980
Americas	11,084	7,940	21,069
Rest of World	4,218	4,254	10,750
	<u>58,884</u>	<u>56,235</u>	<u>120,852</u>

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 site in Barry, the offices in Dallas and London and certain pre-operating costs associated with the plant in Hull:

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
Sales and marketing	2,200	2,483	5,121
Research and development	694	587	1,116
Other operating costs	4,491	3,907	6,856
Administration costs	5,904	5,669	12,284
Exceptional Items and other adjustments (refer to note 4)	481	151	136
Other operating costs excluding depreciation and amortisation	<u>13,770</u>	<u>12,797</u>	<u>25,513</u>
Depreciation and amortisation	3,484	3,009	6,164
Impairment loss	58,000	-	-
Total other operating costs	<u>75,254</u>	<u>15,806</u>	<u>31,677</u>

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 and the US office in Dallas.

The total cost of €75.3m in the current period includes €1.7m in respect of Tricoya[®] segment (H1 FY22: €2.0m) and €58m related to the impairment of the Tricoya segment assets, see note 4.

Group average employee headcount increased to 245 in the period to 30 September 2022, from 241 in the period to 30 September 2021.

During the period, €207,000 (H1 FY22: €408,000) of internal development & patent related costs were capitalised and included in intangible fixed assets, including €154,000 (H1 FY22: €301,000) which were capitalised within Tricoya Technologies Limited ('TTL'). In addition, €114,000 of internal costs have been capitalised in relation to our Arnhem Accoya[®] plant expansion project (H1 FY22: €187,000) and €566,000 of internal costs have been capitalised in relation to our plant build in Hull, UK (H1 FY22: €389,000). Both are included within tangible fixed assets.

4. Exceptional Items and Other Adjustments

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
Redundancy costs in relation to purchase of assets to grow Accoya® Color production	-	(133)	(133)
Early termination of loans - redemption fee & accelerated amortisation of transaction costs	-	-	(1,619)
Advisor fees in relation to Tricoya consortium reorganisation	(484)	-	-
Impairment of the Tricoya segment assets	(58,000)	-	-
Total exceptional items	(58,484)	(133)	(1,752)
Foreign exchange differences arising on Tricoya® cash held - Operating costs (loss)/profit	3	(18)	(3)
Foreign exchange differences arising on Loan Notes - incl. in Finance expense profit/(loss)	-	231	231
Foreign exchange differences on cash held - Other comprehensive profit/(loss)	167	(240)	8
Foreign exchange differences on Corporate USD cash held for investment in to USA JV- incl. in Finance expense	1,380	847	2,080
Revaluation of USD cash pledged to ABN Amro - incl. in Finance expense	1,319	-	(148)
Revaluation of FX forwards used for cash-flow hedging - Other comprehensive (loss)/profit	(77)	(28)	58
Total other adjustments	2,792	792	2,226
Tax on exceptional items and other adjustments	-	-	-
Total exceptional items and other adjustments	(55,692)	659	474

Exceptional Items

The advisor fees are associated with advising Accsys on options and resulting corporate restructuring of the Tricoya consortium, as described in the CEO's report and note 15, Post balance sheet events.

The impairment of the Tricoya segment assets is caused by

- (i) Identification of additional time and costs (€35m) to complete the plant following a third party expert review of the project;
- (ii) The increase in UK gas prices, and the impact these have on future operational cashflows post startup of the plant
- (iii) Update to the discount rate applied, 12.8% (increased from 10.5% at 31 March 2022). Refer to note 9 for review of impairment and note 15 for post balance sheet events

In the prior year, Accsys purchased certain assets, equipment, technology and its manufacturing plant in Barry, Wales from Lignia Wood Company Limited and its administrators for a consideration of €1.2m, including €0.5m for raw wood inventory. As part of this purchase, redundancy costs of €133,000 were incurred in relation to staff at the Barry site.

In the prior year, Accsys completed the refinance of its Group debt facilities, with a new bilateral agreement with ABN Amro. Loans previously held with ABN Amro, Cerdia Produktions GmbH, Bruil, Volantis and Business Growth Fund (BGF) were repaid. Early redemption fees totalling €1.4m were paid, and the amortisation of previously capitalised transaction fees related to these repaid loans was accelerated.

Other Adjustments

Foreign exchange differences in the Tricoya® segment have occurred due to pounds sterling held within the consortium for the Hull plant build. 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 in the Corporate segment have also occurred due to US dollars held for investment into the Accoya USA Joint Venture. Following the May 2021 equity raise, the amount raised to invest into Accoya USA was translated into US dollars and held in cash ensuring that foreign exchange movements did not decrease the amount raised below the future US dollar investment into Accoya USA. This treatment did not meet the requirements for hedge accounting under IFRS 9, Financials instruments, and therefore the foreign exchange gain on the revaluation of the US dollars has been accounted for in Finance expenses.

Foreign exchange differences in the Corporate segment have also occurred due to USD cash pledged to ABN Amro for the Letter credit provided to FHB as part of the Accoya USA funding arrangements. See note 12 for further details.

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Notes to the financial statements for the six months ended 30 September 2022, continued

5. Tax expense

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
(a) Tax recognised in the statement of comprehensive income comprises:			
Current tax expense/(credit)			
UK Corporation tax on losses for the period	-	-	-
Research and development tax (credit)/expense in respect of current period	(68)	(31)	(314)
	<u>(68)</u>	<u>(31)</u>	<u>(314)</u>
Overseas tax at rate of 15%	6	9	24
Overseas tax at rate of 25%	419	644	1,305
Deferred Tax			
Utilisation of deferred tax asset	-	-	-
	<u>357</u>	<u>622</u>	<u>1,015</u>
Total tax expense reported in the statement of comprehensive income	<u>357</u>	<u>622</u>	<u>1,015</u>

6. Basic and diluted profit/ (loss) per ordinary share

	Unaudited 6 months ended 30 Sept 2022	Unaudited 6 months ended 30 Sept 2022	Unaudited 6 months ended 30 Sept 2021	Unaudited 6 months ended 30 Sept 2021	Audited Year ended 31 March 2022	Audited Year ended 31 March 2022
	Underlying	Total	Underlying	Total	Underlying	Total
<u>Basic earnings per share</u>						
Weighted average number of Ordinary shares in issue ('000)	204,358	204,358	188,322	188,322	190,446	190,446
Profit/(Loss) for the period attributable to owners of Accsys Technologies PLC (€'000)	(281)	(26,526)	6	966	1,930	2,338
Basic profit/(loss) per share	<u>€ (0.00)</u>	<u>€ (0.13)</u>	<u>€ 0.00</u>	<u>€ 0.01</u>	<u>€ 0.01</u>	<u>€ 0.01</u>
<u>Diluted earnings per share</u>						
Weighted average number of Ordinary shares in issue ('000)	204,358	204,358	188,322	188,322	190,446	190,446
Equity options attributable to BGF	8,449	8,449	8,449	8,449	8,449	8,449
Weighted average number of Ordinary shares in issue and potential ordinary shares ('000)	<u>212,807</u>	<u>212,807</u>	<u>196,771</u>	<u>196,771</u>	<u>198,895</u>	<u>198,895</u>
Profit/(Loss) for the year attributable to owners of Accsys Technologies PLC (€'000)	(281)	(26,526)	6	966	1,930	2,338
Diluted profit/(loss) per share	<u>€ (0.00)</u>	<u>€ (0.12)</u>	<u>€ 0.00</u>	<u>€ 0.00</u>	<u>€ 0.01</u>	<u>€ 0.01</u>

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.

The Tricoya® Consortium was formed on 29th March 2017, with its members currently comprising Accsys Technologies, INEOS Acetyls Investments Ltd, MEDITE Europe DAC, BGF & Volantis (Lombard Odier) and with project finance debt provided by NatWest.

Tricoya UK Limited is constructing and will own and operate the world’s first Tricoya® wood elements acetylation plant in Hull (UK), which 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.

INEOS Acetyls Investments Limited (“INEOS”) acquired BP Ventures’ share capital of TTL and BP Chemicals share capital of Tricoya UK on 31 December 2020.

INEOS (through acquiring BP’s share of TTL & Tricoya UK) have invested €31.8 million in the Tricoya® Project, including €23.3 million as equity in Tricoya UK and €8.5 million as equity in TTL. All funding was received by 31 March 2021, with no funding received subsequently to 30 September 2022.

MEDITE have invested €15.0 million in the Tricoya® Project, including €8.4 million as equity in TTL and €6.6 million as equity in Tricoya UK. All funding was received by 31 March 2021, with no funding received subsequently to 30 September 2022.

In the period to 30 September 2022, the Group’s shareholding in TTL remained unchanged at 76.5%.

Tricoya UK entered a six-year €17.2 million finance facility agreement with Natwest Bank plc in March 2017 in respect of the construction and operation of the Hull Plant. As at 30 September 2022 the Group has utilised €15.3m (31 March 2022: €9.9m) of the facility.

Accsys has agreed a €17m loan & €8m loan to Tricoya UK to be used towards the Hull plant construction project alongside existing funding in place for Tricoya UK. The loans accrue interest, which is rolled up, at a rate between 5.25 and 6.75% above EURIBOR. At 30 September 2022, the Group had lent to Tricoya UK €19.4m (31 March 2022: €8.8m) under these facilities. As Accsys consolidates Tricoya UK, these loans are eliminated within the Accsys Group balance sheet.

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.

On 2 November 2022, Accsys announced the reorganisation of the Tricoya® Consortium whereby Accsys agreed to acquire 100% ownership of the Tricoya group entities in return for 11.9m new Accsys shares for the Consortium Partners. Refer to note 15 for post balance sheet events.

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Notes to the financial statements for the six months ended 30 September 2022, continued

7. Tricoya Technologies Limited (continued)

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:

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
Revenue	214	875	1,552
Cost of Sales Tricoya® panel	(158)	(848)	(1,449)
Gross profit	<u>56</u>	<u>27</u>	<u>103</u>
Costs:			
Staff costs	(932)	(1,440)	(2,592)
Research & development (excluding staff costs)	(85)	(115)	(207)
Intellectual Property & legal fees	(406)	(106)	(214)
Other Operating costs	(258)	(256)	(639)
Depreciation & Amortisation	(276)	(262)	(505)
Impairment loss	(58,000)	-	-
EBIT	<u>(59,901)</u>	<u>(2,152)</u>	<u>(4,054)</u>
EBIT attributable to Accsys shareholders	<u>(29,724)</u>	<u>(1,226)</u>	<u>(2,414)</u>

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

Accsys Technologies PLC

Notes to the financial statements for the six months ended 30 September 2022, continued

7. Tricoya Technologies Limited (continued)

TTL Group balance sheet at 30 September 2022:

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
Non-current assets			
Intangible assets	711	4,517	4,534
Property, Plant and Equipment	54,489	74,106	94,061
Right of use assets	1,195	1,271	1,232
	<u>56,395</u>	<u>79,894</u>	<u>99,827</u>
Current assets			
Trade and other receivables	508	687	1,088
Cash and cash equivalents	287	7,900	912
Derivative financial instrument	-	106	3
	<u>795</u>	<u>8,693</u>	<u>2,003</u>
Current liabilities			
Trade and other payables	(16,025)	(12,208)	(17,646)
Derivative financial instrument	(77)	-	-
	<u>(16,102)</u>	<u>(12,208)</u>	<u>(17,646)</u>
Non-current liabilities			
Other long term borrowing	(35,279)	(9,306)	(18,585)
	<u>(35,279)</u>	<u>(9,306)</u>	<u>(18,585)</u>
Net assets	<u>5,809</u>	<u>67,073</u>	<u>65,599</u>
Value attributable to Accsys Technologies	<u>460</u>	<u>30,832</u>	<u>30,073</u>
Value attributable to Non-controlling interest	<u>5,349</u>	<u>36,241</u>	<u>35,526</u>

TTL Group cash flows at 30 September 2022:

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
Cash flows (used in)/ from operating activities	(148)	863	2,618
Cash flows (used in)/ from investing activities	(16,408)	(4,299)	(21,860)
Cash flows (used in)/ from financing activities	15,931	(127)	8,691
Net (decrease)/increase in cash and cash equivalents	<u>(625)</u>	<u>(3,563)</u>	<u>(10,551)</u>

8. Intangible assets

	Internal Development costs €'000	Intellectual property rights €'000	Goodwill €'000	Total €'000
Cost				
At 31 March 2021	7,464	74,456	4,231	86,151
Additions	118	345	-	463
At 30 September 2021	7,582	74,801	4,231	86,614
Additions	60	191	-	251
At 31 March 2022	7,642	74,992	4,231	86,865
Additions	27	180	-	207
At 30 September 2022	7,669	75,172	4,231	87,072
Accumulated amortisation				
At 31 March 2021	2,510	72,776	-	75,286
Amortisation	321	45	-	366
At 30 September 2021	2,831	72,821	-	75,652
Amortisation	63	316	-	379
At 31 March 2022	2,894	73,137	-	76,031
Amortisation	197	192	-	389
Impairment loss	2,855	945	-	3,800
At 30 September 2022	5,946	74,274	-	80,220
Net book value				
At 31 March 2021	4,954	1,680	4,231	10,865
At 30 September 2021	4,751	1,980	4,231	10,962
At 31 March 2022	4,748	1,855	4,231	10,834
At 30 September 2022	1,723	898	4,231	6,852

Refer to note 9 for the recoverability assessment of these intangible assets.

9. Property, plant and equipment

	Land and buildings €'000	Plant and machinery €'000	Office equipment €'000	Total €'000
<i>Cost or valuation</i>				
Opening balance at 31 March 2021	17,976	146,433	3,885	168,294
Additions	-	7,491	324	7,815
Foreign currency translation (loss)	-	-	2	2
At 30 September 2021	17,976	153,924	4,211	176,111
Additions	-	33,521	137	33,658
Foreign currency translation (loss)	-	-	5	5
At 31 March 2022	17,976	187,445	4,353	209,774
Additions	-	20,476	15	20,491
Foreign currency translation (loss)	-	-	19	19
At 30 September 2022	17,976	207,921	4,387	230,284
<i>Depreciation</i>				
Opening balance at 31 March 2021	995	25,945	1,797	28,737
Charge for the period	179	1,730	257	2,166
Foreign currency translation gain	-	-	2	2
At 30 September 2021	1,174	27,675	2,056	30,905
Charge for the period	179	1,820	204	2,203
Foreign currency translation (loss)	-	-	5	5
At 31 March 2022	1,353	29,495	2,265	33,113
Charge for the period	179	2,104	247	2,530
Foreign currency translation gain	-	-	19	19
Impairment loss	-	54,200	-	54,200
At 30 September 2022	1,532	85,799	2,531	89,862
<i>Net book value</i>				
At 31 March 2021	16,981	120,488	2,088	139,557
At 30 September 2021	16,802	126,249	2,155	145,206
At 31 March 2022	16,623	157,950	2,088	176,661
At 30 September 2022	16,444	122,122	1,856	140,422

Plant and machinery assets with a net book value of €53,547,000 relating to the Hull Plant are held as assets under construction and are not depreciated, (31 March 2022: €93,560,000)

9. Property, plant and equipment (continued)

Impairment review

The carrying value of the property, plant and equipment, internal development costs and intellectual property rights are split between two cash generating units (CGUs), representing the Accoya® and Tricoya® segments and the carrying value of Goodwill is allocated to the Accoya® segment. The recoverable amount of these CGUs are determined based on a value-in-use calculation which uses cash flow projections based on latest financial budgets and discounted at a pre-tax discount rate of 12.8% (31 March 2022: 10.5%) to determine their present value.

The key assumptions used in the value in use calculations are:

- the manufacturing revenues, operating margins and future licence fees estimated by management;
- the timing of completion of the Tricoya Hull plant
- the timing of completion of construction of additional facilities (and associated output);
- Forecast UK natural gas prices;
- the long term growth rate; and
- the discount rate.

The Directors have determined that an impairment totalling €58 million should be recognised in the Tricoya CGU.

The impairment of the Tricoya segment assets is caused by:

- (i) Identification of additional time and costs (€35m) to complete the plant following a third party expert review of the project;
- (ii) The increase in UK gas prices, and the impact these have on future operational cashflows post start-up of the plant; and
- (iii) Update to the discount rate applied, 12.8% (increased from 10.5% at 31 March 2022).

Refer to note 15 for post balance sheet events and further details on the restructure of the Tricoya® Consortium.

Key assumptions applied to the Tricoya® CGU were as follows:

- a discount rate of 12.8%;
- Project capital costs to bring the plant into commercial operation of €35m;
- A "hold period" of 9 months (period in which no construction activities is performed);
- a long-term growth rate of 2.5%; and
- Ultimate gross margin of approximately 40%.

The impact the following changes to these key assumptions would have, if made in isolation, on the impairment calculated for the Tricoya® CGU is as follows:

- a 1% increase in the market interest rates (through increasing the discount rate): €10m
- a 1% decrease in the long-term growth rate : €7m
- a 1% decrease to Gross margin : €4m
- a 3 month extension in the hold period : €2m
- a €5m increase in the capital costs to bring the plant into commercial operation : €4m

10. Share capital

In the period ended 30 September 2021:

In May 2021, 20,005,325 Placing Shares and 2,418,918 Open Offer Shares were issued as part of the capital raise to fund the Company's investment in expanding its Accoya® business into North America through the construction of a new Accoya® plant in the USA through its joint venture, Accoya USA LLC, with Eastman Chemical Company (see note 15), as well as to provide additional capital to support the Company's continued growth. The Shares were issued at a price of €1.65 (£1.40) per ordinary share, raising gross proceeds of €36.7 million (before expenses).

629,460 Shares were issued between June to September 2021 for the benefit of current and former employees following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ("LTIP").

In the period ended 31 March 2022:

Between June and September 2021, a total of 629,460 shares were issued following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ('LTIP').

In February 2022, following the subscription by employees in the prior year for shares under the Employee Share Participation Plan (the 'Plan'), 189,931 shares were issued as "Matching Shares" at nominal value under the Plan.

In addition, various employees newly subscribed under the Plan for 193,424 Shares at an acquisition price of €2.015 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).

10. Share capital (continued)

In the period ended 30 September 2022:

In May 2022, 13,798,103 Placing and Subscription Shares were issued as part of the capital raise to strengthen the Company's balance sheet, increase liquidity headroom and fund additional costs to complete the Arnhem Plant Reactor 4 capacity expansion. The Shares were issued at a price of €1.45 (£1.23) per ordinary share, raising gross proceeds of €20 million (before expenses).

In August 2022, 306,329 Shares were issued following the exercise of nil cost options, granted under the Company's 2013 Long Term Incentive Plan ('LTIP').

11. Other Reserves

	Capital redemption reserve	Merger reserve	Hedge Effectiveness reserve	Other reserve	Total Other reserves
	€000	€000	€000	€000	€000
Balance at 30 September 2021	148	106,707	(39)	7,551	114,367
Total Comprehensive income for the period	-	-	334	-	334
Balance at 31 March 2022	148	106,707	295	7,551	114,701
Total Comprehensive income for the period	-	-	90	-	90
Balance at 30 September 2022	148	106,707	385	7,551	114,791

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 hedge effectiveness reserve reflects the total accounted for under IFRS 9 in relation to the Tricoya® and Corporate segments.

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 2022	Unaudited 6 months ended 30 Sept 2021	Audited Year ended 31 March 2022
Amounts payable under loan agreements:			
Within one year	20,133	17,358	12,973
In the second to fifth years inclusive	61,210	40,726	59,506
Less future finance charges	(6,447)	(5,280)	(8,490)
Present value of loan obligations	74,896	52,804	63,989

The increase in total borrowings in the period since 31 March 2022 of €10m relates to the drawdown of the ABN revolving credit facility (€5m) and the additional drawdown of the Natwest facility (€5m).

In October 2021 Accsys completed the refinance of its Group debt facilities through a new bilateral agreement with ABN AMRO, one of Accsys' existing relationship banks. The new €60m 3-year bilateral facilities agreement with ABN AMRO comprised a

- €45m Term Loan Facility and,
- €15m Revolving Credit Facility ('RCF').

12. Commitments under loan agreements (continued)

The €45m Term Loan was fully utilised to repay all of the Group's existing debt, with the exception of the NatWest facility held by the Tricoya® consortium which remains in place.

- The Term Loan is partially amortising, with 5% of the principal repayable per annum after 18 months.
- The applicable interest rate for the Term Loan varies between an all in cost of 1.75% and 3.25% depending on net leverage, resulting in a significant improvement compared to the previous facilities which had a weighted average cost of approximately 6%.
- The RCF interest rate will similarly vary, but between 2.0% and 3.5% above EURIBOR.

The RCF was subsequently increased to €25 million as part of the Accoya USA financing referred to below, with approximately €20 million utilised for the Letter of credit provided by ABN Amro to First Horizon Bank ("FHB") in support of the Accoya USA JV funding arrangements, leaving approximately €5 million available as headroom on the facility. The €5m remaining headroom was drawn in April 2022, and remained drawn at 30 September 2022.

The new facilities are secured against the assets of the Group which are 100% owned by the Company (and excluding Tricoya) and include customary covenants such as net leverage and interest cover which are based upon the results and assets which are 100% owned by the Company (excluding Tricoya).

Tricoya® facility:

In March 2017 the Company's subsidiary, Tricoya UK Limited entered into a six-year €17.2 million finance facility agreement with Natwest Bank 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 2022, the Group had €15.3m (31 March 2022: €9.9m) borrowed under the facility. Interest will accrue at Euribor plus a margin, with the margin ranging from 325 to 475 basis points.

This facility has been amended and restructured post period end, refer to note 15 for details.

Accoya USA facility & De Engh facility:

In March 2022 the Company's joint venture, Accoya USA agreed an eight-year \$70 million loan from First Horizon Bank ("FHB") of Tennessee, USA in respect of the construction and operation of the Accoya® USA plant. FHB are also providing a further \$10 million revolving line of credit to be utilised to fund working capital. The FHB term loan is secured on the assets of Accoya USA and is supported by Accoya USA's shareholders, including \$50 million through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing US\$30 million. The interest rate varies between 1.3% to 2.1% over USD LIBOR. Principal repayments commence one year following the completion and start-up of the facility, and are calculated on a ten-year amortisation period. Accoya USA is equity accounted for in these financial statements, therefore this Borrowing is not included in the Group's borrowings. The FHB loan remains undrawn as at 30 September 2022.

To support Accsys' limited guarantee, Accsys provided a \$20 million Letter of Credit ('LC') to FHB. The LC is issued by ABN AMRO, utilising part of the revolving credit facility agreed in October 2021. To further support the LC, Accsys agreed a €10 million convertible loan with De Engh BV Limited ('De Engh'), an investment company based in the Netherlands (the 'Convertible Loan'). The Convertible Loan proceeds were placed with ABN AMRO solely as cash collateral to enable ABN AMRO to grant the \$20 million LC to FHB.

The Convertible Loan is unsecured and carries an interest margin of 6.75% above Euribor. Accsys expects to fully repay the Convertible Loan within two years. If the Convertible Loan is not repaid within this period, De Engh has an option (from the end of year two) to convert the outstanding loan balance to ordinary shares in Accsys at €2.30 per share (representing a 31% premium to the closing share price on 3 March 2022), otherwise the interest rate increases by 2% in year three and by a further 2% the following year if the loan has not been repaid or converted after 3 years. The maximum term of the Convertible Loan is 3.5 years.

Reconciliation to net (debt)/cash:

	Unaudited 6 months ended 30 Sept 2022	Unaudited 6 months ended 30 Sept 2021	Audited Year ended 31 March 2022
Cash and cash equivalents	18,123	60,921	42,054
Less:			
Amounts payable under loan agreements	(74,896)	(52,804)	(63,989)
Amounts payable under lease liabilities	(4,596)	(5,738)	(5,217)
Net (debt)/cash	<u>(61,369)</u>	<u>2,379</u>	<u>(27,152)</u>

Restricted cash

The cash and cash equivalents disclosed above and in the Consolidated statement of cash flow includes \$10 million which is pledged to ABN Amro as collateral for the \$20million Letter of credit provided to FHB.

Accsys Technologies PLC

Notes to the financial statements for the six months ended 30 September 2022, continued

Reconciliation to adjusted cash:

	Unaudited 6 months ended 30 Sept 2022	Unaudited 6 months ended 30 Sept 2021	Audited Year ended 31 March 2022
Cash and cash equivalents	18,123	60,921	42,054
Less:			
Earmarked cash initially committed to be contributed to Accoya USA	-	-	(27,857)
Cash pledged to ABN Letter of Credit	(10,949)	-	(9,852)
Adjusted cash	<u>7,174</u>	<u>60,921</u>	<u>4,345</u>

13. Transactions with non-controlling interests

In the period ended 30 September 2021:

No shares were issued in the period to 30 September 2021.

The total carrying amount of the non-controlling interests in TTL and Tricoya UK at 30 September 2021 was €36.24m (2020: €34.42m).

In the year ended 31 March 2022:

No shares were issued in the year ended 31 March 2022.

The total carrying amount of the non-controlling interests in TTL and Tricoya UK at 31 March 2022 was €36.24m (2021: €34.42m).

In November 2021, Accsys agreed a new €17m loan to Tricoya UK to be used towards the Hull plant construction project alongside existing funding in place for Tricoya UK. The loan accrues interest, which is rolled up, at a rate between 5.25 and 6.75% above EURIBOR. The loan is secured and is repayable by 30 September 2023. At 30 September 2022, the Group had lent to Tricoya UK €17m under the facility.

In the period ended 30 September 2022:

No shares were issued in the period to 30 September 2022.

The total carrying amount of the non-controlling interests in TTL and Tricoya UK at 30 September 2022 was €36.24m.

On 12 September 2022, Accsys agreed to a further loan facility of up to €8m to enable Tricoya UK to continue progressing the activities whilst funding discussions were ongoing. The loan facility was uncommitted, and all loan utilisation requests require Accsys approval. At 30 September, the Group had lent to Tricoya UK €2.4m under the facility, following the full utilisation of the €17m facility previously provided to Tricoya UK (referred to above).

On 2 November 2022, Accsys announced the reorganisation of the Tricoya® Consortium whereby Accsys agreed to acquire 100% ownership of the Tricoya group entities in return for 11.9m new Accsys shares for the Consortium Partners. Refer to note 15 for post balance sheet events.

Transactions with non-controlling interests

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
Opening balance	8,127	8,127	8,127
Carrying amount of non-controlling interests issued	-	-	-
Consideration paid by non-controlling interests	-	-	-
Excess of consideration paid recognised in Group's equity	<u>8,127</u>	<u>8,127</u>	<u>8,127</u>

14. Investment in Joint Venture

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

The new company has been formed with Accsys having a 60% equity interest and Eastman having a 40% equity interest, with the two parties assessed to jointly control the entity as defined under IFRS 11 – Joint arrangements. Accoya USA is accounted for as a joint venture and equity accounted for within the financial statements.

The plant is designed to initially produce approximately 40,000 cubic metres of Accoya® per annum and to allow for cost-effective expansion.

In March 2022, the final investment decision was made to proceed with the construction of the US facility. The total construction and start-up costs for the facility, including the initial two reactors, are expected to be approximately \$136 million ('Total project cost').

\$66 million of the Total Project cost will be funded by equity contributions from Accsys (60%) and Eastman (40%). Accsys' pro-rata share is \$39.6 million (€34.9 million) of which \$36.6 million has already been contributed to Accoya USA by 30 September 2022. Eastman has contributed \$24.4 million to Accoya USA by 30 September 2022.

\$70 million of the Total Project cost, will be funded through an eight-year term loan to Accoya USA, LLC from First Horizon Bank ('FHB') of Tennessee, USA. FHB are also providing a further \$10 million revolving line of credit to be utilised to fund working capital. The FHB term loan is secured on the assets of Accoya USA and will be supported by Accoya USA's shareholders, including \$50 million through a limited guarantee provided on a pro-rata basis, with Accsys' 60% share representing \$30 million. The interest rate varies between 1.3% to 2.1% over USD LIBOR. Principal repayments commence one year following the completion and start-up of the facility, and are calculated on a ten-year amortisation period.

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

	Unaudited 6 months ended 30 Sept 2022 €'000	Unaudited 6 months ended 30 Sept 2021 €'000	Audited Year ended 31 March 2022 €'000
Opening balance	3,216	326	326
Investment in Accoya® USA	29,129	1,186	3,751
Less: Accsys proportion (60%) of Licence fee received	-	-	(600)
Loss for the period	(403)	(91)	(261)
Closing balance	<u>31,942</u>	<u>1,421</u>	<u>3,216</u>

15. Post Balance Sheet Events

Tricoya® consortium restructure

Accsys has reached agreement to acquire full ownership of TUK (Tricoya UK Limited) and TTL (Tricoya Technologies Limited), from its Consortium Partners. The consideration for this has been satisfied by the issue of 11.9 million new ordinary Accsys shares to the other Tricoya Consortium Partners (the "Restructure"). The Share Issuance represents 5.74% of the current issued share capital of Accsys and based on the Accsys share price at close of trading on 1 November 2022 it represents a value of €9.8m (based on the Euronext closing price) or £8.4m (based on the London Stock Exchange closing price).

Under the agreement Accsys has acquired the remaining 38.2% holding in TUK that TTL does not already own and the 23.5% holding in TTL that it does not already own.

INEOS and Medite's respective supply and offtake agreements for the Hull plant will continue on their current terms.

NatWest has agreed to restructure its TUK debt facility, reducing the principal amount by approximately €9m to total €6m, under a new 7-year term. The NatWest facility remains ringfenced from the Accsys Group, the Accoya® plant at Arnhem and other joint ventures. No repayments are due until the facility maturity date

Benefits of the restructure

Accsys' Board believes the Restructure is in the best interests of Accsys shareholders and provides greater certainty and full control of the Hull plant and Tricoya overall, with benefits to Accsys including:

- Control and optionality over the completion of the Hull plant, including the timing, cost, and basis of funding for the Tricoya Hull Project plant.
- Discretion over future development of the Tricoya proposition including licencing.
- No commitment to invest further capital now and time to assess options in regard to funding any future capital requirements.
- Simplifies the Group's structure and will streamline internal governance.

Accsys share issuance

• Under the Restructuring, Consortium Partners each received Accsys shares in return for transferring their full shareholdings in TTL and TUK to Accsys. The Share Issuance for 11,608,259 ordinary shares, which will rank pari passu in all respects with the existing ordinary shares of the Company, to be admitted to the regulated market operated by Euronext Amsterdam N.V. ("Euronext Amsterdam") and to the London Stock Exchange's AIM market, which was expected to occur on or around 8.00 am UK time on 7 November 2022 ("Admission"). A separate application for the remaining 267,542 ordinary shares was made shortly following Admission.

• Upon Admission, the total number of issued shares and the total number of voting rights in the Company will be 218,504,968. This figure should be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

• The Accsys shares to be issued to consortium parties are subject to lock up restrictions on the disposal of these shares, for up to 9 months following completion (with partial release of tranches during the lock-up period), subject to customary exceptions and orderly market provisions during the 9 month period.

• Under the Restructuring INEOS and Medite will receive 7,500,000 and 3,500,000 Accsys shares respectively.

• INEOS and Medite are related parties to Accsys under the AIM Rules for Companies. The arrangements with INEOS and Medite as part of the Restructure are related party transactions under the AIM Rules for Companies. The Directors consider, having consulted with Numis as Nominated Advisor, that the terms of the arrangements with INEOS and Medite as part of the Restructure are fair and reasonable insofar as shareholders of the Company are concerned.

Tricoya restructure

• The amended NatWest loan of €6m will accrue interest which will be rolled up until the Hull plant is operational. The floating interest rate remains in line with the previous loan terms. The loan has no financial covenants.

• Separate to, and in addition to the amended €6m loan, NatWest will be entitled to obtain recovery of up to approximately €9.5m, on a contingent basis, depending on profitability of the Tricoya Hull plant once operational. The contingent payments to NatWest are based upon free cash-flow generated by the Hull plant.

• Accsys' recent bridging loan to TUK of €8m issued in August 2022 has now been committed and rank joint first with the NatWest Senior Loan. Accsys' second ranked loan facility to TUK of €17m issued in 2021 will remain and rank behind the other two loans.

Notes to editors:

Accsys (Accsys Technologies PLC) is a fast-growing business with a purpose: changing wood to change the world. The company combines chemistry, technology and ingenuity to make Accoya® wood and Tricoya® wood elements: high performance wood products that are extremely durable and stable, opening new opportunities for the built environment and giving the world a choice to build sustainably. Accsys transforms fast-growing, certified sustainable wood into building materials with an up to 50-year warranty, locking carbon stored in the wood into useful products for decades, with performance characteristics that match or better those of non-renewable, resource-depleting and polluting alternatives. Accsys is listed on the London Stock Exchange AIM market and on Euronext Amsterdam, under the symbols 'AXS'. Visit www.accsysplc.com

Accoya® solid wood is sustainable, durable, and stable with exceptional performance, finish and sustainability. Accsys' proprietary acetylation process makes the wood more dimensionally stable and because it is no longer easily digestible, extremely durable. It is one of very few building materials to be Cradle to Cradle Certified™ at the Gold level, with a Platinum rating for Material Health, confirming that no harmful or toxic additives or chemicals are present to leach out into the environment. Primary applications for Accoya® wood include windows, doors, cladding and decking, where the combination of performance and sustainability benefits compete favorably against hardwoods, plastics, metals and concrete. Visit www.accoya.com

Tricoya® acetylated wood elements are produced for use in the fabrication of panel products such as medium density fibreboard (MDF). Panel products made with Tricoya® wood elements are truly durable and stable enough for use outdoors and in wet environments, unlocking new possibilities for design and construction. They have been lauded as the first major innovation in the wood composites industry in more than 30 years and bring the flexibility of traditional panel products and sustainability benefits of wood to a whole new range of applications. Visit www.tricoya.com

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