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Oxford Advanced Surfaces Group PLC
17 June 2014

OXFORD ADVANCED SURFACES GROUP PLC
(AIM: OXA)

Preliminary Results for the Year Ended 31 December 2013

Oxford Advanced Surfaces Group ("OAS") the AIM listed technology developer targeting engineered materials and surface modification applications in the automotive, aerospace, communications and renewable energy marketsannounces today its preliminary results for the year ended 31 December 2013.

CORPORATE HIGHLIGHTS

- **Strategic review successfully completed and implemented**
- **Transition from development company to market-led, commercially focused business**
- **First product, Onto™ EP1000, launched in February 2014 currently being evaluated by over 15 commercial partners**
- **Costs reduction programme has led to substantial, recurring cost savings**
- **Strong balance sheet with £2,760,000 net cash (2012: £4,304,000)**
- **Encouraging interest in our ability to functionalise graphene**
- **Progress in our TSB funded collaboration with Sun Chemicals Limited**
- **Adjusted* operating loss of £1,699,000 (2012: £1,654,000)**

** adjusted for employee share payment expenses, depreciation, amortisation and impairments.*

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Editors' Note

Oxford Advanced Surfaces Group plc designs, develops and manufactures surface modification technology to address the bonding challenges of advanced materials in the automotive, aerospace, electronics and renewable energy markets. Our proprietary platform technology, Onto™ highly reactive chemistry, provides manufacturers with versatile solutions for even to the most difficult-to-bond substrates such as engineering plastics, thermoplastic composites and carbon-based materials. Onto™ surface treatments can be integrated into existing manufacturing facilities for use in a wide range of surface functionalisation and adhesion promotion applications.

www.oxfordsurfaces.com

Chairman's Statement

The year to 31 December 2013 has been one of focus and change for Oxford Advanced Surfaces Group ("OAS") as we boldly realigned our strategy for delivering our technologies to the market: OAS has made the transition from a research & development company that provided bespoke solutions for customers to a product-driven company that offers a portfolio of generic commercial products available for customer testing that address a broad range of applications and which have potential for further customisation. After extensive preparation in the fourth quarter, our first evaluation product launched early in 2014.

This fundamental repositioning was driven by a strategic review in August 2013 which concluded that further investment in the VISARC™ antireflection coating technology would be suspended due to market and competitive changes that occurred during our technical development period. A full evaluation of how best to generate value both from our mesoporous silica (MPS) nanoparticle manufacture know-how which had underpinned VISARC™, and the intellectual property portfolio we had established for this technology, is ongoing.

Additional resource was therefore available to commercialise our highly differentiated and proprietary Onto™ technology platform, for which we believe there is significant market potential. This growth opportunity is being driven by an increased use of plastics and polymers, with surface functionalisation and adhesion requirements, in automotive, aerospace, communications and renewable energy markets. OAS now has a pipeline of products in development and believes that this,

along with our first evaluation product, has resulted in increased traction and credibility in the markets we address.

Board and Organisation
The Technical Advisory Board ("TAB") was afforced by the appointment of Professor Steven Abbott in January 2013. Steven has a wealth of industrial, scientific and commercial knowledge both from research posts and from a long commercial career at ICI and MacDermid Autotype, covering all areas of the OAS target markets. Since September 2013 the TAB has been under the chairmanship of Non-executive Director Dr David Bott. The TAB membership is completed by Professor Mark Moloney.

The shift to commercial execution and refocus on Onto™ also resulted in the opportunity to restructure corporate governance roles and to make substantial cost savings.

In September 2013 Mike Edwards and Michael Bretherton left the OAS Board of Directors, the latter after seven years of service and following his relocation to Guernsey earlier in the year. In November 2013 Adrian Meldrum switched roles from Chief Executive to Non-executive Director, Philip Spinks stepping up to the Chief Executive position after six years with OAS and with continuing responsibility for the Group's finances.

The technical team were reduced from 16 down to seven and we also reduced the commitments we had in laboratory space. This also provided significant cost savings ensuring that we have sufficient funds to reach commercialisation of our Onto™ technology.

At the end of 2013 employee numbers, excluding Non-executive Directors, stood at 9.2 FTE, of which seven were focussed on product development. We expect employee numbers to remain fairly constant until commercial deals are completed, at which point we will require additional scale-up and operational/commercial resources.

Adrian Meldrum has decided not to stand for re-election at this year's AGM. Adrian was a key driver behind the strategic review in August 2013 and has helped shape the business going forward. I would like to thank Adrian for his significant contribution and wish him well for the future.

I would like to take this opportunity to thank the staff for their diligence, fortitude and continuing enthusiasm during a testing period for the Company. The OAS Board of Directors has also provided valuable insightful and challenging input this year and it is thanks to both groups that OAS now finds itself in a stronger position than ever to accelerate and deliver on our development and customer engagement plans in areas where we hold differentiating and enabling technology.

Dr Peter Rowley
Non-executive Chairman
16 June 2014
Company Number: 5845469

Chief Executive's Report

Overview
In the second half of 2013, OAS's outlook underwent a paradigm shift from a research focus to market led, product based strategy. This has been enabled by significant progress in our Onto™ development programme where we are now in a position to offer a more generic adhesion promotion solution to the market. Historically we were restricted to bespoke and potentially costly solutions for each customer. Now we can target multiple customers with multiple requirements with one product family - EP1000. This key advance is due to the development of our third generation of Onto™ cross-linker during the last few years which, along with our original technology, forms the chemistry platform that we are using to develop additional product families.

The decision to suspend development of our VISARC™ technology platform, driven by market and competitive changes, enabled us to increase investment in our proprietary Onto™ technology. Efforts are therefore focussed on Onto™ products, initially EP1000, with a defined pipeline for new products including Onto™ graphene functionalisation. In addition we have been through a significant cost reduction exercise and reduced our cash burn rate to ensure that we utilise our cash resources as effectively as possible.

We believe there is strong market potential for the Onto™ chemistry platform. This opportunity is being driven by an ever increasing use of plastics and polymers, with their related adhesion promotion requirements. We are currently targeting the automotive, aerospace, electronics and renewable energy markets.

The markets we target are significant in both value and volume - the coatings market for aerospace and automotive runs into billions of dollars. Motor manufacturers, for example, are continually looking to remove weight and increase recyclability of vehicles - the extended use of composites and engineering plastics is essential to deliver this. The trend in aerospace design is a greater and greater incorporation of composite materials in aircraft: in the 1970s aircraft design contained around 5% advanced composites, today new aircraft such as the Boeing 787 and Airbus A350 XWB contain in excess of 50%.

However the problem often lies not with the suitability of the materials but in joining them and decorating them for use. Many of these materials are difficult-to-bond as they have no surface chemistry. Onto™ adhesion promotion provides a neat solution to this problem as it can react with these inert surfaces and provide a chemical surface modification that allows bonding and decorating. In addition, where people currently use easy-to-bond but more expensive materials, Onto™ adhesion promotion provides an opportunity to move to other materials that are often much cheaper.

Adhesion promotion can also be of use within the bulk rather than on the surface of materials. For example it can be applied to the manufacture of advanced composite materials where increased adhesion between the reinforcement fibres or particles with the supporting matrix is needed. Onto™ EP1000 can help companies develop new and exciting composite materials with a range of different properties or economic targets. Our Onto™ EP1000 product family is being targeted on these applications and is currently being trialled by over 15 global and speciality businesses in our chosen markets.

Another use of adhesion promotion is within a coating such that the coating can be used without a pre-applied adhesion promoter or binder. This is a more complex solution but the Onto™ platform can also deliver this and we are currently engaged with Sun Chemical on such a project. There is more detail on this project later in my report.

Onto™ Technology Offering
The EP1000 family are Onto™ based surface treatments which provide manufacturers with versatile solutions for even the most difficult-to-bond substrates such as engineering plastics, thermoplastic composites and carbon-based materials primarily to two-part polyurethane and epoxy coatings. Onto™ adhesion promotion treatments can be integrated into existing manufacturing facilities for use in a wide range of applications. OAS is already primed for mid-stage and bulk production of the core Onto™ chemistry once customer demand begins.

Our Onto™ EP1000 evaluation pack contains a ready formulated treatment designed for easy use; customers can assess the product in their own laboratories with their own coatings, be that paints, primers or adhesives. A marketing campaign is under way with a number of packs being assessed and being proven to work in customer hands.

The evaluation pack contains our core proprietary chemistry and associated formulations for small scale in-lab application and testing. We are currently extending the evaluation product range to cover alternative coating methodologies (spray and dip) and from these evaluation products we will be able to provide a commercial Onto™ EP1000 product family that will meet customer requirements for various curing and coating methodologies. Feedback from the initial evaluation of our packs has already indicated a need to expand the offering to cover low-VOC and VOC free EP1000 variants and so these are also under development in our labs.

We believe this strategy will result in commercial traction and in market demand for other surface functionalisation applications, including Onto™ systems for other coatings. We have already started development of a system for the adhesion promotion of acrylates.

Market Evolution & Opportunity
We have recently demonstrated we can modify graphene using the Onto™ chemistry platform and on that basis have issued a technical paper outlining industry's need for graphene functionalisation and our initial capabilities in this area. Graphene holds massive promise. Possessing a unique portfolio of desirable properties, including excellent conductivity, mechanical strength, gas barrier, thermal and biocompatibility, graphene is an intriguing material. One of the obstacles to realising graphene's potential is the need to functionalise with minimum disruption to the intrinsic properties. This can be achieved by the chemical modification of graphene to impart the desired properties to the platelets. The use of functional graphene is a fundamental part of new product design and should be factored into the plan for the product in the earliest stages of development.

The OAS paper has generated an encouraging level of interest and responses from graphene manufacturers, those involved in intermediate products (such as composites) and companies looking to develop end products incorporating graphene. OAS is actively seeking partners across these groups along with grant funding to support future development costs.

OAS began a Technology Strategy Board-funded development project with Sun Chemicals Limited in February 2014, which utilises Onto™ cross-linker based formulations for radiation curable ("radcure") coatings. The project aims to create a novel radcure coating platform that can bring differentiation to inkjet printable inks for the graphic signage and packaging market areas. The radcure coatings market is an area of significant growth and continues to gain popularity due to the fast cure times and environmentally friendly credentials the products offer. Success in the inkjet market will lead to further exploitation in the graphic arts market and more broadly in other UV-curable coating markets. This also uses the Onto™ chemistry platform to remove the need for pre-applied adhesion promoters and primers and thus provide a one-pot system.

Outlook
OAS is now in a strong position to exploit its chemistry through a market led, product based approach. We have seen strong interest in our Onto™ EP1000 evaluation packs and we intend to increase our offering during 2014 through variants on EP1000 and the addition of the new product lines described above. The partnership with Sun Chemicals is also a significant opportunity for the Group and we hope this will lead to further collaborations.

OAS already holds good patent coverage in these areas, but we will seek to strengthen this further during the coming year. There will be ongoing investigation of adjacent and synergistic technology offerings aimed at strengthening the OAS technology portfolio.

Philip Spinks
Chief Executive Officer
16 June 2014
Company Number: 5845469

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
CONTINUING OPERATIONS		
Revenue	3	86
Cost of sales	(1)	(169)
GROSS PROFIT/(LOSS)	2	(83)
Research and development costs	(969)	(909)
Other administrative costs	(1,029)	(830)
OPERATING LOSS	**(1,996)**	**(1,822)**

Finance income	65	126
LOSS BEFORE TAX	**(1,931)**	**(1,696)**
Income tax credit	142	159
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,789)**	**(1,537)**
Loss per share attributable to the equity holders of the Company:		
Total and continuing:		
- Basic and diluted (pence)	(0.91)	(0.79)

The loss for the year arises from the Group's continuing operations.

There were no items of other comprehensive income for the year to 31 December 2013 or 2012 and therefore the loss for the year is also the total comprehensive loss for the year net of tax.

The basic and diluted loss per share are the same as the effect of share options is anti-dilutive.

Consolidated Statement of Financial Position
For the year ended 31 December 2013

	31 December 2013 £'000	31 December 2012 £'000
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	316	396
Plant and equipment	136	191
	452	**587**
CURRENT ASSETS		
Trade and other receivables	57	136
Corporation tax due	140	159
Short-term investments and cash and cash equivalents	2,760	4,304
	2,957	**4,599**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	120	145
NET CURRENT ASSETS	**2,837**	**4,454**
LIABILITIES		
NON-CURRENT LIABILITIES		
Provisions	10	10
NET ASSETS	**3,279**	**5,031**
SHAREHOLDERS' EQUITY		
Called up share capital	1,977	1,977
Share premium	10,603	10,603
Merger reserve	6,369	6,369
Reverse acquisition reserve	(6,831)	(6,831)
Retained earnings	(9,147)	(7,365)
Share based payments reserve	308	278
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**3,279**	**5,031**

The financial statements were approved by the Board of Directors and authorised for issue on 16 June 2014 and were signed on its behalf by:

Philip Spinks
Director
Company Number: 5845469

Consolidated Statement of Changes in Equity
For the year ended 31 December 2013

Share Equity £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Retained Earnings £'000	Share Based Payment Reserve £'000	Total Equity £'000

At 1 January 2012	**1,957**	**10,423**	**6,369**	**(6,831)**	**(6,277)**	**898**	**6,539**
Total comprehensive loss for the year to 31 December 2012	-	-	-	-	(1,537)	-	(1,537)
Issue of share capital	20	180	-	-	-	-	200
Employee benefit trust	-	-	-	-	(198)	-	(198)
Transfer of share based payment charges on cancellation of options	-	-	-	-	647	(647)	-
Share based payments	-	-	-	-	-	27	27
At 31 December 2012	**1,977**	**10,603**	**6,369**	**(6,831)**	**(7,365)**	**278**	**5,031**
Total comprehensive loss for the year to 31 December 2013	-	-	-	-	(1,789)	-	(1,789)
Employee benefit trust	-	-	-	-	(2)	-	(2)
Transfer of share based payment charges on cancellation of options	-	-	-	-	9	(9)	-
Share based payments	-	-	-	-	-	39	39
At 31 December 2013	**1,977**	**10,603**	**6,369**	**(6,831)**	**(9,147)**	**308**	**3,279**

Consolidated Statement of Cash Flows
For the year ended 31 December 2013

	Year to 31 December 2013 £'000	Year to 31 December 2012 £'000
Loss before tax	(1,931)	(1,696)
Depreciation and amortisation charges	129	141
Impairment of intangible assets	129	-
Loss on disposal of plant and equipment	4	1
Share based payment expense	39	27
Finance income	(65)	(126)
	(1,695)	(1,653)
Decrease/(increase) in stocks	-	1
Decrease/(increase) in trade and other receivables	6	29
Decrease in trade and other payables	(25)	(32)
Cash outflow from operations	**(1,714)**	**(1,655)**
Income tax received	161	145
Net cash outflow from operating activities	**(1,553)**	**(1,510)**
Cash flows from investing activities		
Proceeds from sale of plant and equipment	1	-
Purchase of intangible assets	(81)	(84)
Purchase of plant and equipment	(47)	(59)
Decrease in short term investments	3,680	1,570
Interest received	138	150
Net cash inflow from investing activities	**3,691**	**1,577**
Net cash from financing activities		
Share issue	-	2
Funds repaid on forfeiture of EBT jointly owned shares	(2)	-
Net cash inflow/(outflow) from financing activities	**(2)**	**2**
Increase in cash and cash equivalents	**2,136**	**69**
Cash and cash equivalents at beginning of year	624	555
Cash and cash equivalents at end of year	**2,760**	**624**
Short term investments	-	3,680
Short-term investments and cash and cash equivalents	**2,760**	**4,304**

Under IAS 7, cash held on long-term deposits that cannot readily be converted into cash, has been classified as a short-term investment. These

investments range between 3 and 12 months.

Notes to the Financial Statements

1. Corporate information

Oxford Advanced Surfaces Group plc ("the Company") is a public limited company incorporated, registered and domiciled in England and Wales and its shares are publicly traded on AIM, a market operated by the London Stock Exchange. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") for the year ended 31 December 2013.

2. Basis of preparation

These consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and all values have been rounded to the nearest thousand, except where otherwise indicated. The functional currency of the Group and all the subsidiaries is Sterling.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements are disclosed in note 5.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations, none of which resulted in any impact on the accounting policies, financial position or performance of the Group.

3. Going concern

Information on the business environment and the factors underpinning the Group's future prospects and product portfolio are included in the Chief Executive's Review, Strategic Report and the Directors' Report. The Directors believe that the diversity of the technology portfolio and potential customer base should allow it to continue to operate in the current economic climate. The Directors confirm that they are satisfied that the Group has adequate resources to continue in business for the medium term (next two years), based on the current cash resources available. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

4. Segmental Reporting

Following the Group's focus on its leading technologies, the Board is of the opinion that the business operates two distinct reportable operating segments. These are as follows:

• The Reactive Chemistry segment is focussed on developing and licensing novel Onto™ chemistry that provides advances in cross-linking, adhesion and surface modification leading to new and advanced materials and material solutions.

• The Particle Technology segment is focussed on using and modifying particles for use in a wide range of applications, from optical coatings (VISARC™) through to fast moving consumer goods and agrochemicals. Work in this segment has been suspended at the present time.

No operating segments have been aggregated to form the above reportable operating segments. Individual projects do not meet the definition of segments, and as such the revenues and costs of individual projects are not formally separated. In addition, due to the research and development nature of the business, many projects are transitory, depending on success, and thus no meaningful data can be provided through such analysis. Each segment has a Group manager who is responsible for leading the technical research and development. They have individual budgets and the performance against budget and other non-financial targets is regularly reviewed by the Board of Directors.

2013	Reactive Chemistry £'000	Particle Technologies (suspended) £'000	Corporate unallocated £'000	Year to 31 December 2013 £'000
Revenue				
Fee paying agreements	3	-	-	**3**
Grants	-	-	-	**-**
Total Revenue	**3**	**-**	**-**	**3**
Cost of sales	(1)	-	-	**(1)**
Research and development costs	(434)	(525)	(10)	**(969)**
Administrative costs	(77)	(169)	(783)	**(1,029)**
Finance income	-	-	65	**65**
Segment loss before tax	**(509)**	**(694)**	**(728)**	**(1,931)**
Income tax credit	59	83	-	142
Loss for the year	**(450)**	**(611)**	**(728)**	**(1,789)**
Included in the above are:				
Depreciation and amortisation	49	77	3	129
Impairment of intangible assets - patents	-	129	-	129

Within Reactive Chemistry, the revenue from fee paying agreements represents income from one customer.

2012	Reactive	Particle Technologies	Corporate	Year to 31

	Chemistry £'000	(suspended) £'000	unallocated £'000	December 2012 £'000
Revenue				
Fee paying agreements	32	35	-	**67**
Grants	-	-	19	**19**
Total Revenue	**32**	**35**	**19**	**86**
Cost of sales	(49)	(120)	-	**(169)**
Research and development costs	(316)	(587)	(6)	**(909)**
Administrative costs	(30)	(101)	(699)	**(830)**
Finance income	-	-	126	**126**
Segment loss before tax	**(363)**	**(773)**	**(560)**	**(1,696)**
Income tax credit	49	110	-	159
Loss for the year	**(314)**	**(663)**	**(560)**	**(1,537)**
Included in the above are:				
Depreciation and amortisation	54	84	3	141

Within Particle Technologies, the revenue from fee paying agreements represents income from two customers, both representing more than 10% of the income. Reactive chemistry secured revenue from three customers, two of which represent more than 10% of the income.

All non-current assets are held in the UK. No other information is currently presented to the Board on a segmental basis. The Group's operations are all based in the UK and services are performed in the UK. There is no geographic split of revenues by location of customer as most customers are global corporations. Assets and liabilities are not measured or assessed on a segment basis. The business is not considered to be seasonal.

5. Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of tangible and intangible assets:
The Group tests tangible and intangible assets with definite lives for impairment if and when indicators of impairment arise. Where such an indication exists the Group estimates the fair value less costs to sell of assets based on the net present value of future cash flows.

Share-based payments:
The estimation of share-based payments requires: the selection of an appropriate valuation method; consideration as to the inputs necessary for the valuation model chosen; assumptions regarding when and if performance conditions will be met; and the estimation of the number of awards that will ultimately vest. Inputs required for this arise from judgements relating to the future volatility of the share price of comparable companies, the Company's expected dividend yields, risk free interest rates and expected lives of the options. The Directors draw on a variety of sources to aid in the determination of the appropriate data to use in such calculations.

All share-based payment arrangements granted that had not vested prior to 31 December 2013 are recognised in the Group financial statements.

6. Statutory Information

Copies of the 2013 Annual Report will be posted to shareholders at least 21 days before the Company's annual general meeting and may be obtained from the date of posting for one month free of charge from the registered office of Oxford Advanced Surfaces group plc at CIE, Begbroke Science Park, Begbroke Hill, Woodstock Road, Begbroke, OX5 1PF and from our website www.oxfordsurfaces.com

7. Annual General Meeting

The annual general meeting ("AGM") is to be held on 14 July 2014. Notice of the AGM will be dispatched to shareholders with the Company's report and accounts.

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