



OXFORD ADVANCED SURFACES GROUP PLC
(AIM: OXA)

Preliminary Results for the Year Ended 31 December 2014

Oxford Advanced Surfaces Group ("OASG") the AIM listed technology developer targeting engineered materials and surface modification applications in the automotive, aerospace, communications and energy markets announces today its preliminary results for the year ended 31 December 2014.

CORPORATE HIGHLIGHTS

- In September 2014 Oxford Advanced Surfaces Limited (OASL) completed an investment round of £901,698 by issuing new shares and reducing OASG's interest to 77.54% in the trading subsidiary.
- OASL secured two commercial deals in 2014 in industrial coatings and Formula One®.
- Total income, including grants, increased from £3,000 to £86,000.
- Loss for the year reduced from £1,789k to £990k.
- OASL is running two pilot trials with customers and has 20 further evaluations in progress.
- OASG has a strong balance sheet and over £1.8m in cash.

Contacts:

Oxford Advanced Surfaces Group Plc	<i>www.oxfordsurfaces.com</i>
James Ede-Golightly, Chairman	T: 01865 854 807
W H Ireland Limited	<i>www.wh-ireland.co.uk</i>
John Wakefield	T: 0117 945 3470

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

As outlined in the interim report, a strategic review was undertaken in 2014 as a consequence of which the group changed its strategy. The review concluded that, while the directors were confident in the long term potential of the group's operating business Oxford Advanced Surfaces Limited (OASL), the business' ongoing potential would be best served as a private company.

The strategic decision was taken that OASL would secure private funding for continuance of its business plan and that Oxford Advanced Surfaces Group plc (the Company or OASG) would pursue new investment opportunities while concurrently seeking to maximise the value of its holding in OASL.

The remainder of the statement comprises two sections. The first outlines the changes resultant from implementation of the Company's strategy, and the outlook for the Oxford Advanced Surfaces Group Plc as an AIM listed entity. The second provides an update on the strategic and operational progress at OASL and its outlook as a private business in which the Company currently retains a majority holding.

Company Update

In September 2014 OASL completed an investment round of £901,698 by issuing new shares and reducing OASG's interest to 77.54%. On completion of the investment the Company retained a cash balance of £1.85m (excluding subsidiaries).

At the same time as the investment a separate board was constituted for OASL. Dr Peter Rowley and Dr David Bott stepped down as directors of the Company to assume new roles as directors of OASL, also joined by Mark Rowley, a representative of IP Group. I assumed the responsibilities as chairman of the Company with the continued support of Philip Spinks, who remains as a Director of the Company in addition to his primary role as Chief Executive and Director of OASL.

With supportive shareholders and a robust balance sheet the Company is in a strong position as it evaluates new

investment opportunities. Further announcements will be made as the Company's investment strategy progresses.

Update on Oxford Advanced Surfaces Limited

During the year under review OASL secured two commercial supply partners for its products. The first was in industrial coatings where the combination of our ability to prime hard-to-bond plastics along with our ease of use in the field was the only viable option available, and the second was in motorsport; a Formula One® constructor. As a result of this second engagement OASL has expanded its efforts in motorsport and its products are currently under test by several other Formula One® constructors as well as those involved in the broader motorsport industry.

OASL has identified its key markets as automotive, aerospace, marine, defence, energy and industrial. Its most developed market is automotive, where its initial motorsport base has helped develop relationships with niche vehicle manufacturers and suppliers to bulk automotive manufacturers. Motorsport also provides an excellent launch-pad for the aerospace, defence and marine industries and business development efforts in these key markets is already underway.

At the date of this report OASL has two further customers in scale pilot trials; one in the construction industry and one in composite materials development that would target the defence and marine markets. It has a further 20 live evaluations (mostly automotive and industrial applications) and is following up on over 55 leads.

OASL also ran further scale-up trials during the year and significantly simplified its manufacturing process. As a result of this OASL has identified a suitable small scale toll manufacturer and the process is now ready for transfer to volume manufacture as customer demand increases.

James Ede-Golightly

Non-executive Chairman

3 June 2015

Company Number: 5845469

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Continuing Operations		
Revenue	17	3
Other income - grants	69	-
Total income	86	3
Cost of sales	(65)	(1)
Research and development costs	(494)	(969)
Administrative costs	(579)	(1,029)
Operating loss	(1,052)	(1,996)
Finance income	15	65
Loss before tax	(1,037)	(1,931)
Income tax credit	47	142
Loss and total comprehensive loss for the year	(990)	(1,789)
Loss and total comprehensive loss for the year attributable to:		
The Company's equity shareholders	(939)	(1,789)
Non-controlling interest	(51)	-
	(990)	(1,789)
Loss per share attributable to the equity holders of the company:		
Total and continuing		
- Basic and diluted (pence)	(0.50)	(0.91)

Consolidated Statement of Financial Position

For the year ended 31 December 2014

	2014 £'000	2013 £'000
Assets		
Non-current assets		
Intangible assets	319	316
Plant and equipment	86	136
	405	452
Current assets		
Trade and other receivables	63	57
Corporation tax recoverable	47	140
Cash and cash equivalents	2,563	2,760
	2,673	2,957
Liabilities		
Current liabilities		
Trade and other payables	113	120
Net current assets	2,560	2,837
Non-current liabilities		

Provisions	13	10
Total Assets	2,952	3,279
Equity and liabilities		
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	(9,738)	(9,147)
Share-based payment reserve	319	308
Total equity attributable to shareholders of the Company	2,699	3,279
Non-controlling interests	253	-
Total equity	2,952	3,279

The financial statements were approved by the Board of Directors on 3 June 2015 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 2014

	Share equity £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition Reserve £'000	Retained earnings £'000	Share- based payment reserve £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2013	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)
Transactions with owners								
Employee benefit trust	-	-	-	-	(2)	-	-	(2)
Transfer of share-based payment charges on cancellation of options	-	-	-	-	9	(9)	-	-
Share-based payments	-	-	-	-	-	39	-	39
Balance at 31 December 2013	1,977	10,603	6,369	(6,831)	(9,147)	308	-	3,279
Total comprehensive loss for the year to 31 December 2014	-	-	-	-	(939)	-	(51)	(990)
Transactions with owners								
Non-controlling interests on part disposal of subsidiary	-	-	-	-	348	-	304	652
Share-based payments	-	-	-	-	-	11	-	11
Balance at 31 December 2014	1,977	10,603	6,369	(6,831)	(9,738)	319	253	2,952

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 £'000	2013 £'000
Loss before tax	(1,037)	(1,931)
Depreciation and amortisation charges	112	129
Impairment of intangible assets	15	129
Impairment of property, plant and equipment	13	-
(Profit) / loss on disposal of plant and equipment	(5)	4
Share based payment expense	11	39
Finance Income	(15)	(65)

	(906)	(1,695)
(Increase) / decrease in trade and other receivables	(7)	6
Decrease in trade and other payables	(4)	(25)
Cash flow from operations	(917)	(1,714)
Income tax received	140	161
Net Cash outflow from operating activities	(777)	(1,553)
Cash flow from investing activities		
Proceeds from sale of plant and equipment	5	1
Purchase of intangible assets	(47)	(81)
Purchase of plant and equipment	(46)	(47)
Reduction in short term investments	-	3,680
Interest received	16	138
Net cash outflow from investing activities	(72)	3,691
Net cash from financing activities		
Issue of shares to non-controlling interests	652	-
Funds repaid on forfeiture of EBT jointly owned shares	-	(2)
Net cash inflow / (outflow) from financing activities	652	(2)
(Decrease) / increase in cash and cash equivalents	(197)	2,136
Cash and cash equivalents at beginning of year	2,760	624
Cash and cash equivalents at end of year	2,563	2,760

Notes to the Financial Statements

For the year ended 31 December 2014

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 2014.

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 6.

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 2013, 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. Basis of consolidation

The Consolidated Financial Statements incorporate the results of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

Non-controlling interests are measured initially at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

4. Going concern

Information on the business environment and the factors underpinning the Group's future prospects and product portfolio are included in the Chairman's Statement, Strategic Report and the Directors' Report. The Directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future, based on the current cash resources available. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 2014 are recognised in the Group financial statements.

6. 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 focused 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 focused 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.

	Reactive Chemistry	Particle Technologies (suspended)	Corporate unallocated	Year to 31 December 2014
2014	£'000	£'000	£'000	£'000
Commercial revenue	17	-	-	17
Grant income	69	-	-	69
Total income	86	-	-	86
Cost of sales	(65)	-	-	(65)
Research and development cost	(430)	(54)	(10)	(494)
Administrative costs	(190)	(61)	(328)	(579)
Finance Income	-	-	15	15
Segment loss before tax	(599)	(115)	(323)	(1,037)
Income tax credit	47	-	-	47
Loss for the year	(552)	(115)	(323)	(990)
Included in the above are:				
Depreciation and amortisation	55	55	2	112
Impairment of property, plant and equipment	13	-	-	13
Impairment of intangible assets - patents	15	-	-	15

Within Reactive Chemistry commercial revenue represents income from multiple customers, one representing more than 10% of the income (£9,500). Grant income relates to the reimbursement of expense items incurred including materials and technical staff costs. There is no capital offset element to the grant income.

	Reactive Chemistry	Particle Technologies (suspended)	Corporate unallocated	Year to 31 December 2013
2013	£'000	£'000	£'000	£'000
Commercial revenue	3	-	-	3
Total revenue	3	-	-	3

Cost of sales	(1)	-	-	(1)
Research and development cost	(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 commercial revenue represents income from one customer.

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.

7. Statutory Information

Copies of the 2014 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.

8. Financial Risk Management

The annual general meeting ("AGM") is to be held on 30 June 2015. Notice of the AGM will be dispatched to shareholders with the Company's report and accounts.

This information is provided by RNS
The company news service from the London Stock Exchange

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