



## OXFORD ADVANCED SURFACES

### INTERIM RESULTS FOR THE HALF YEAR ENDING 30 JUNE 2011

#### Market interest in technology grows

Oxford Advanced Surfaces, the AIM listed technology developer targeting a number of global markets including eyewear, monitors, solar panels and the electronics market, is pleased to announce its Interim Results for the six months to 30 June 2011.

Michael Bretherton, Chairman commenting on the outlook for the Group said,

***"Our technology has developed and we are now in a position where we can provide customers with more than the base technology; we can provide pre scale-up solutions that can be piloted and then scaled to full production. Our IP portfolio is growing and is robust. We believe the outlook remains positive and we continue to push for the first commercial deal."***

30 September 2011

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#### Editors' Note

Oxford Advanced Surfaces Group plc (OAS) is a unique research and development company that provides multinational industrial corporations with intellectual property (IP) solutions as a 'tool kit' to create engineered surface coatings and advanced materials. OAS is the IP supplier of Onto™ and VISARC™ technology.

Our Onto™ chemistry platform provides everything needed to create innovative products through the transformation of commodity industrial materials, and by opening new markets for the most desirable advanced materials. Onto™, a highly reactive chemistry, is applicable across a range of process and materials applications using multiple wet-process application methods. Onto™ was first developed in the University of Oxford chemistry department and is a proprietary technology that uniquely reacts with almost anything.

Our original technology portfolio has now been enhanced by VISARC™. VISARC™ is a wet-process anti-reflective coating for use on multiple substrates. A single layer formulation can be applied using dip or spin coating application and is adaptable for use with glass and polymers or plastics making it suitable for multiple applications from ophthalmic to electronic displays and solar.

[www.oxfordsurfaces.com](http://www.oxfordsurfaces.com)

#### CHAIRMAN'S STATEMENT

The outlook for Oxford Advanced Surfaces Group plc (OAS) remains promising and we have continued to advance our technology to ensure that our solutions are market ready and can easily be scaled to mass production. I had hoped to have positive news on the commercial front by now but its absence is not a failure of the technology to deliver. The last six months have been well spent, developing our market knowledge, understanding the commercial and "point of proof" requirements of our customers and pushing forward our technical understanding. In fact we have made significant advances in our technology.

#### VISARC™

The anti-reflective coating (ARC) market is extensive. Our VISARC™ coatings are based on nanoparticles suspended in a binder and can be deposited by conventional wet processing methods such as spin, dip and roll-to-roll techniques. Most high-performing ARCs currently on the market must be applied using PVD (physical vapour deposition) methods. The equipment required for PVD is expensive in comparison to wet-coating methods, and in some instances, such as large displays, is impractical. VISARC™ offers all the benefits of a wet-coat combined with near to PVD optical performance.

VISARC™ for displays - this market is well developed (c. \$1.3 billion per annum and growing due to introduction of global digital TV solutions) with display and TV manufacturers demanding higher-performing ARCs than those currently available. We have demonstrated that we can achieve the required optical performance with our VISARC™ technology. We are in the process of providing further samples to our potential partners and also developing scalable formulations for commercial adoption.

VISARC™ for eyewear - of the world's ophthalmic eyewear only 20% are produced with an ARC (a retail market worth approximately \$3.6 billion in 2010). The majority of the existing market is currently satisfied via PVD either by direct supply from the lens manufacturer or through ophthalmic chains with large centralised prescription laboratories that can carry the significant costs of PVD machinery and technicians. However there is an industry identified need for a faster and cheaper alternative to provide in-store ARC which will also develop a significant untapped market currently precluded due to cost and availability. A number of potential customers are currently reviewing OAS's VISARC™ technology solution which provides in-store same-day service using low-cost spin-coating equipment already available in most labs.

VISARC™ for solar - improving the efficiency and performance of solar panels using an ARC has long been sought after. The coating can be applied internally to photovoltaic cells or to the complete assembly (the panel), where the surface is in contact with the external elements. Wet coat single layer ARCs provide an economic solution in this market. We have started work on better understanding the market and have commenced early stage environmental testing of VISARC™ to meet the stringent weathering demands of this application.

#### **Onto™**

Onto™ is a proprietary wet chemical process technology unique to Oxford Advanced Surfaces. The application of the process requires no specialist equipment for operation, allowing our customers to integrate the chemistry into their existing manufacturing process.

The Onto™ Technology exploits a reactive chemistry facilitating the rapid and convenient modification of the surface and bulk properties of a wide range of materials in various forms. For example, it will bind with plastics (polymers), diamond, metals and minerals. Whilst it will covalently bond with almost anything, we believe it provides the most compelling cost-effective benefits with organic materials, where alternative technologies are less effective.

Onto™ surface modification - the process involves coating the base material, whether in sheet, fabric, fibre or other macro-molecular form with Onto™ followed by curing with a suitable energy source. This generates a molecular layer bonded permanently to the base material. We are currently developing a range of value-add surfaces treatments for membranes, an example of which is modifying the properties of battery separator membranes. This could help meet major cost and performance challenges particularly in high-performance batteries for the electronic vehicle market.

Onto cross-linking - Chemical cross-linkers link two different molecules, typically polymer chains, to form larger complex molecules. Onto™ cross-linking species are materials that contain multiple reactive head groups per cross-linking molecule. The Onto™ cross-linker can be chemically designed to be compatible with specific chemical formulations including polymer blends and suspensions. Once a compatible cross-linker has been designed then simple chemical mixing/formulation can be used to form a homogeneous mix of chemical formulation and cross-linker. Curing is then achieved using a suitable energy source. OAS has focussed specifically in the area of printed and plastic electronics where our unique technology can help adhere, and prevent delamination of, the most desirable materials in electronics processing, for example in flexible displays. This has followed on from our successful Technology Strategy Board funded grant package with PETEC.

#### **Intellectual Property Portfolio (IP)**

Our IP has been further strengthened. We have had a number of patent grants within our four core patent families in Onto™, and our initial VISARC™ patent published in August. We currently have two patent families in VISARC™. This provides a strong IP core as well as surrounding IP that protects the application of our technology in the market.

#### **Outlook**

Our technology has developed and we are now in a position where we can provide customers with more than the base technology; we can provide pre scale-up solutions that can be piloted and then scaled to full production. Our IP portfolio is growing and is robust. We believe the outlook remains positive and we continue to push for the first commercial deal.

#### **Michael Bretherton**

Chairman

30 September 2011

Company Number: 5845469

#### **GROUP FINANCIAL REVIEW**

The unaudited interim condensed consolidated financial statements have been prepared for the six months to 30 June 2011.

#### **Trading**

Group revenue for the period ended 30 June 2011 was £nil (2010: £152,000).

As detailed in the Chairman's report, the group has focussed on preparing its core technologies for adoption which has required additional development. This work has been completed internally and we are now providing samples to key customers that reflect closer to market technology than we have delivered before. As a direct result we have not generated any revenue in the previous six months, although this does not echo the technological and advancements we have made. Our grant funded work was completed during 2010 and the group has not sought any further grant funding at this stage, preferring to focus on identified customer requirements for our key technologies. The completion of the grants has however delivered excellent results in plastic electronics, an area in which we are developing commercial opportunities as a priority. Further grant funding will be sought in the future where the grants available meet our commercial development strategy. The group also undertook a number of small fee-free projects in order to develop its future product offerings around VISARC™ and Onto™.

#### **Loss before Tax**

The loss before tax for the six months was £929,000 (2010: £795,000) after credits of £3,000 (2010: charges of £127,000) related to share based payments. Excluding share based payment charges the adjusted loss before tax for the six months was £932,000 (2010: £668,000). The increase in the loss before tax is due to the reduction in turnover, combined with an increase in research and development costs. This reflects the additional costs we have incurred in preparing the technologies for scale-up in order to ease the route to commercialisation, particularly in VISARC™.

The share based payments net credit arose due to the reversal of the charges incurred for options issued to Mike Eason (£48,000) that have now been cancelled following his resignation in March of this year.

Research and development costs increased from £467,000 to £535,000, driven by our investment in preparing VISARC™ for commercialisation. The increase in administration costs from £378,000 to £402,000 was driven by additional legal and professional fees supporting our commercial development.

Interest from deposits for the six months amounted to £77,000 (2010: £100,000). This reflects the lower deposit rates available in the market.

#### **Balance Sheet**

The group has a robust balance sheet and the directors believe that it is sufficient to support the business for the foreseeable future. In particular the group has £6,753,000 of cash held in instant access and term deposits specifically for developing and commercialising its technology.

#### **Cash flow**

The group's overall cash and short-term investment position reduced by £727,000 during the six months (2010: £606,000). The net cash outflow from operations amounted to £863,000 (2010: £766,000) whilst £64,000 (2010: £70,000) was invested in laboratory equipment, computers and office fittings to support business growth and technology development. Investment in new patents amounted to £12,000 (2010: £27,000).

### Treasury activities and policies

The group carries a significant cash sum which is managed prudently. In order to minimise the risk to the group's capital, the funds are invested across a number of financial institutions with strong credit ratings. The deposits range from instant access to 12 month term deposits and are regularly monitored by the Board.

### Share option scheme

The group operates a share option scheme (both EMI and unapproved) to provide long-term incentives and reward to key and high performing members of staff. The scheme is an equity settled scheme and is operated for the benefit of employees of the group. As a result certain employees of the group's subsidiaries, Oxford Advanced Surfaces Limited and Oxford Energy Technologies Limited, hold options in the scheme.

### Philip Spinks

Chief Financial Officer

30 September 2011

Company Number: 5845469

### OXFORD ADVANCED SURFACES GROUP PLC

#### INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited condensed consolidated financial statements to 30 June 2011

	Six months to 30 June 2011 Unaudited £'000	Six months to 30 June 2010 Unaudited £'000	Year to 31 December 2010 Audited £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	-	152	259
Cost of sales	(72)	(75)	(197)
<b>GROSS PROFIT</b>	<b>(72)</b>	<b>77</b>	<b>62</b>
Research and development costs	(535)	(467)	(913)
Other administrative costs	(402)	(378)	(735)
Share based payments	3	(127)	(235)
Total administrative costs	(934)	(972)	(1,883)
<b>LOSS FROM OPERATIONS</b>	<b>(1,006)</b>	<b>(895)</b>	<b>(1,821)</b>
Finance income	77	100	187
<b>LOSS BEFORE TAX</b>	<b>(929)</b>	<b>(795)</b>	<b>(1,634)</b>
Income tax credit	65	-	67
<b>LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(864)</b>	<b>(795)</b>	<b>(1,567)</b>
Loss per share attributable to the equity holders of the company:			
Total and continuing:			
- Basic and diluted (pence)	3	(0.44)	(0.81)

There were no items of other comprehensive income for the periods covered by these statements and therefore the loss for the year is also the total comprehensive loss for the year net of tax.

### OXFORD ADVANCED SURFACES GROUP PLC INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited condensed consolidated financial statements to 30 June 2011

	30 June 2011 Unaudited £'000	30 June 2010 Unaudited £'000	31 December 2010 Audited £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	259	254	256
Property, plant and equipment	240	219	224
	<b>499</b>	<b>473</b>	<b>480</b>
<b>CURRENT ASSETS</b>			
Stocks	4	17	10
Trade and other receivables	240	381	360
Short-term investments and cash and cash equivalents	6,753	8,172	7,480
	<b>6,997</b>	<b>8,570</b>	<b>7,850</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	173	199	150
<b>NET CURRENT ASSETS</b>	<b>6,824</b>	<b>8,371</b>	<b>7,700</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	-	-

<b>NET ASSETS</b>	<b>7,313</b>	<b>8,844</b>	<b>8,180</b>
<b>SHAREHOLDERS EQUITY</b>			
Called up share capital	1,957	1,957	1,957
Share premium	10,423	10,423	10,423
Merger reserve	6,369	6,369	6,369
Reverse acquisition reserve	(6,831)	(6,831)	(6,831)
Retained earnings	(5,500)	(3,864)	(4,636)
Share based payments reserve	895	790	898
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>7,313</b>	<b>8,844</b>	<b>8,180</b>

**OXFORD ADVANCED SURFACES GROUP PLC**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Unaudited condensed consolidated financial statements to 30 June 2011

Notes	Share Equity £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Retained Earnings £'000	Share Based Payment Reserve £'000	Total Equity £'000
<b>At 1 January 2010</b>	<b>1,856</b>	<b>10,423</b>	<b>6,369</b>	<b>(6,831)</b>	<b>(5,505)</b>	<b>3,099</b>	<b>9,411</b>
Total comprehensive loss for the six months to 30 June 2010	-	-	-	-	(795)	-	(795)
Shares issued on option exercise - cash consideration	101	-	-	-	-	-	101
Exercise of options - share based payments	-	-	-	-	2,436	(2,436)	-
Share based payments	-	-	-	-	-	127	127
<b>At 30 June 2010</b>	<b>1,957</b>	<b>10,423</b>	<b>6,369</b>	<b>(6,831)</b>	<b>(3,864)</b>	<b>790</b>	<b>8,844</b>
Total comprehensive loss for the six months to 31 December 2010	-	-	-	-	(772)	-	(772)
Share based payments	-	-	-	-	-	108	108
<b>At 31 December 2010</b>	<b>1,957</b>	<b>10,423</b>	<b>6,369</b>	<b>(6,831)</b>	<b>(4,636)</b>	<b>898</b>	<b>8,180</b>
Total comprehensive loss for the six months to 30 June 2011	-	-	-	-	(864)	-	(864)
Share based payments	-	-	-	-	-	(3)	(3)
<b>At 30 June 2011</b>	<b>1,957</b>	<b>10,423</b>	<b>6,369</b>	<b>(6,831)</b>	<b>(5,500)</b>	<b>895</b>	<b>7,313</b>

**OXFORD ADVANCED SURFACES GROUP PLC**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

Unaudited condensed consolidated financial statements to 30 June 2011

Notes	Six months to 30 June 2011	Six months to 30 June 2010	Year to 31 December 2010
	Unaudited £'000s	Unaudited £'000s	Audited £'000s
Loss before tax	(929)	(795)	(1,634)
Depreciation and amortisation charges	68	55	122
(Profit)/Loss on disposal of property, plant and equipment	(1)	-	4
Share based payment (release)/expense	(3)	127	235
Finance income	(77)	(100)	(187)
	(942)	(713)	(1,460)
Decrease/(increase) in stocks	6	(11)	(4)
Decrease/(increase) in trade and other	50	(66)	(16)

receivables	00	(00)	(+0)
Increase/(decrease) in trade and other payables	23	24	(25)
<b>Cash outflow from operations</b>	<b>(863)</b>	<b>(766)</b>	<b>(1,529)</b>
Income tax received	101	28	98
<b>Net cash outflow from operating activities</b>	<b>(762)</b>	<b>(738)</b>	<b>(1,431)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	-	-	4
Purchase of intangible assets	(12)	(27)	(39)
Purchase of property, plant and equipment	(64)	(70)	(140)
(Increase)/decrease in cash placed on long-term deposit	(3,477)	(1,996)	1,702
Interest received	111	128	207
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(3,442)</b>	<b>(1,965)</b>	<b>1,734</b>
<b>Net cash from financing activities</b>			
Share issue	-	101	101
<b>Net cash inflow from financing activities</b>	<b>-</b>	<b>101</b>	<b>101</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(4,204)</b>	<b>(2,602)</b>	<b>404</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>5,182</b>	<b>4,778</b>	<b>4,778</b>
<b>Cash and cash equivalents at end of year</b>	<b>978</b>	<b>2,176</b>	<b>5,182</b>
Short term investments	5,775	5,996	2,298
<b>Short-term investments and cash and cash equivalents</b>	<b>6,753</b>	<b>8,172</b>	<b>7,480</b>

Under IAS 7, cash held on long-term deposits that cannot readily be converted into cash, have been classified as a short term investments. These investments comprise long-term deposits maturing between three and 12 months.

## 1 Corporate information

Oxford Advanced Surfaces Group plc ("the company" or "OAS") and its subsidiaries (together "the group") provide multinational industrial corporations with intellectual property (IP) solutions as a 'tool kit' to create engineered surface coatings and advanced materials. OAS is the intellectual property (IP) supplier of Onto™ and VISARCTM technology.

The company is a public limited company registered and domiciled in England and Wales and its shares are publicly traded on AIM, a market operated by the London Stock Exchange.

### 2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2011 which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The group's presentation and functional currency is Sterling.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting', and should be read in conjunction with the Group's annual financial statements as at 31 December 2010. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS.

The financial information for the year ended 31 December 2010 does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. A copy of the audited financial statements for that year has been delivered to the Registrar of Companies. The Auditors' opinion on those financial statements was unqualified, did not draw attention to any matters by way of an emphasis of matter paragraph, and it contained no statement under section 498(2) or section 498(3) of the Companies Act 2006.

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 accounting policies adopted are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, none of which resulted in any impact on the accounting policies, financial position or performance of the group.

### 2.2 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 review. The financial position of the group is outlined in the group financial review. The directors believe that the diversity of the technology portfolio and 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 foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### 3 LOSS PER SHARE (BASIC AND DILUTED)

Basic loss per share is based on the loss after tax for the year and the weighted average number of ordinary shares of 1 penny each in issue during the year. Diluted loss per share is calculated by adjusting the average number of ordinary shares in issue during the period to assume conversion of all dilutive potential ordinary shares. The Company has share options and warrants in issue which are potentially dilutive but there is no dilutive effect as there is a loss for each of the periods concerned. Diluted loss per share is therefore the same as basic loss per share.

	Six months to 30 June 2011 Unaudited	Six months to 30 June 2010 Unaudited	Year to 31 December 2010 Audited
Loss attributable to equity holders of the group (£'000)	(864)	(795)	(1,567)
Weighted average number of ordinary shares in issue	195,740,641	193,336,204	194,548,304
<b>Basic &amp; diluted loss per share (pence)</b>	<b>(0.44)</b>	<b>(0.41)</b>	<b>(0.81)</b>

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

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