



OXFORD ADVANCED SURFACES GROUP PLC

(AIM: OXA)

Half Year results for the period ended 30 June 2013 and strategic update

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 markets announces its half year results for the period ended 30 June 2013 and also an update to strategic direction.

Highlights:

- Group has continued to make good technical and commercial progress.
- Costs remain tightly controlled despite an increase in development activity. The half year loss before tax stands at £932,000.
- The Group retains a strong balance sheet with cash balances of £3.46m at 30 June 2013.
- A number of applications utilising Onto™ are currently being developed with a number of global corporations who are leaders in the adhesion, renewable energy, automotive and aerospace sectors.
- Following a strategic review, further investment in the VISARC™ antireflection coating technology is to be suspended due to market and competitive changes. Additional resource will be focussed on our highly differentiated and proprietary Onto™ technology platform, for which we believe there is significant market potential.
- Targeted annual cost savings of £0.8m by 2014 driven by headcount reduction, merging of development groups and reduction in support costs.
- Investigation of adjacent and synergistic technologies aimed at strengthening the OAS technology portfolio, including additional uses of our MPS nanoparticles.

Adrian Meldrum, CEO said:

"During the first half of 2013 we have seen strong interest in our Onto™ technology across a number of targeted global industries and progress is promising. Our Onto™ strategy and development plans will continue with our primary focus on adhesion promotion applications within our targeted markets.

The decision to suspend development on our VISARC™ technology platform will enable us to increase investment in our proprietary Onto™ technology where we believe there is strong 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.

We believe these changes will strengthen OAS's position and accelerate delivery in our development and customer engagement plans in areas where we hold differentiating and enabling technology."

28 August 2013

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REVIEW OF THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The Group has continued to make good technical and commercial progress in the six months to 30 June 2013 in addition to keeping a tight control on our cash spend. Our balance sheet remains strong and we have £3.46m to support our continued development and commercialisation.

During the period we took the positive results of our work on Onto™ to a number of companies operating in our identified target markets where the unique adhesion promotion offered by Onto™ has the potential to yield major benefits to end users. We are now testing Onto™ variants with global market leaders in the automotive, aerospace, communications and renewable energy sectors. We anticipate that these development programmes will move towards commercialisation this year.

Following a strategic review by the Board in August, we have decided to increase our focus on commercialisation of our Onto™ technology and to suspend further VISARC™ investment at the present time. This reflects a strong belief in our proprietary Onto™ technology and a need to focus our resources in differentiated technology areas.

Strategic Review

The strategic review and resultant repositioning provides OAS with a long term business proposition based on a clearly differentiated and disruptive technology offering, together with a reduced cash burn and strong cash position.

The strategic decisions made as part of this review are as follows:

- Increased investment in our proprietary Onto™ technology development platform for adhesion promotion and other surface functionalisation applications
- Suspension of investment in the development of the VISARC™ antireflection coating offering
- Significant reduction in annual development spend with targeted costs savings of £0.8m driven by headcount reduction, simplification of the business structure, merging of development groups and reduction in support function costs
- Investigation of adjacent and synergistic technology offerings aimed at strengthening the OAS technology portfolio, including our MPS nanoparticle offering

We believe these changes will result in OAS being in a strong position to accelerate and deliver on our development and customer engagement plans in areas where we hold differentiating and enabling technology.

The individual technology offerings along with the rationale for the changes are detailed below.

Onto™ Technology Offering

Our Onto™ strategy and development plans are primarily focussed on adhesion promotion and surface modification applications. We are seeing increasing market demand for new and novel lightweight polymer materials and associated adhesion promoters, driven by energy efficiency and regulatory changes in automotive, aerospace, communications and renewable energy. OAS's key intellectual property in this area is an important strategic factor supporting development.

A number of key customer programmes are progressing well across multiple applications and we aim to develop these to commercialisation in late 2013. Short term technical milestones will need to be met to allow this to happen, along with further customer developments as we strengthen the focus on our Onto™ technology platform.

VISARC™ Technology Offering

Following the decision to suspend development on our VISARC™ technology platform, the basis of which is a mesoporous silica (MPS) nanoparticle, we will undertake a full evaluation of how best to generate value from our particle manufacture know-how and the intellectual property portfolio we have established for this technology.

In addition we believe that our nanoparticle IP and know-how also offers significant value in non-ARC applications which we will endeavour to exploit.

Outlook

The OAS board and management team believe that the strategic review, repositioning and associated changes put OAS in the best position to drive forward with development and customer engagement plans in order to maximise shareholder value. Increased focus on differentiated and proprietary technology offerings will drive our ability to succeed. Strong market pull and emerging applications will provide significant commercial opportunities for the company when combined with focussed internal technology execution.

We would like to take this opportunity to thank our shareholders for their continued support and patience. We would also like to thank our committed staff who continue to work tirelessly to progress our technology to commercial success.

Adrian Meldrum
Chief Executive Officer

Dr Peter Rowley
Non-executive Chairman

28 August 2013
Company Number: 5845469

INTERIM CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Unaudited interim condensed consolidated financial statements to 30 June 2013

	Six months to 30 June 2013 Unaudited £'000	Six months to 30 June 2012 Unaudited £'000	Year to 31 December 2012 Audited £'000
CONTINUING OPERATIONS			
Revenue	3	69	86
Cost of sales	(90)	(89)	(169)
GROSS PROFIT	(87)	(20)	(83)
Research and development costs	(412)	(474)	(909)

Other administrative costs	(417)	(380)	(803)
Share based payments	(60)	(1)	(27)
Total administrative costs	(889)	(855)	(1,739)
LOSS FROM OPERATIONS	(976)	(875)	(1,822)
Finance income	44	67	126
LOSS BEFORE TAX	(932)	(808)	(1,696)
Income tax credit	75	68	159
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(857)	(740)	(1,537)
Loss per share attributable to the equity holders of the company:			
Total and continuing:			
- Basic and diluted (pence)	(0.44)	(0.38)	(0.79)

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.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited interim condensed consolidated financial statements to 30 June 2013

	30 June 2013 Unaudited £'000	30 June 2012 Unaudited £'000	31 December 2012 Audited £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	428	346	396
Plant and equipment	178	227	191
	606	573	587
CURRENT ASSETS			
Stocks	-	9	-
Trade and other receivables	327	420	295
Short-term investments and cash and cash equivalents	3,464	4,993	4,304
	3,791	5,422	4,599
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	153	185	145
NET CURRENT ASSETS	3,638	5,237	4,454
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions	10	10	10
NET ASSETS	4,234	5,800	5,031
SHAREHOLDERS EQUITY			
Called up share capital	1,977	1,957	1,977
Share premium	10,603	10,423	10,603
Merger reserve	6,369	6,369	6,369
Reverse acquisition reserve	(6,831)	(6,831)	(6,831)
Retained earnings	(8,214)	(7,017)	(7,365)
Share based payments reserve	330	899	278
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	4,234	5,800	5,031

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Unaudited interim condensed consolidated financial statements to 30 June 2013

	Six months to 30 June 2013 Unaudited £'000s	Six months to 30 June 2012 Unaudited £'000s	Year to 31 December 2012 Audited £'000s
Loss before tax	(932)	(808)	(1,696)
Depreciation and amortisation charges	64	72	141
(Profit)/Loss on disposal of property, plant and equipment	(1)	1	1
Share based payment expense	60	1	27

Finance income	(44)	(67)	(126)
	(853)	(801)	(1,653)
(Increase)/Decrease in stocks	-	(8)	1
(Increase)/Decrease in trade and other receivables	(24)	(15)	29
Increase in trade and other payables	8	8	(32)
Cash outflow from operations	(869)	(816)	(1,655)
Income tax received	49	-	145
Net cash outflow from operating activities	(820)	(816)	(1,510)
Cash flows from investing activities			
Purchase of intangible assets	(48)	(20)	(84)
Purchase of property, plant and equipment	(35)	(40)	(59)
Decrease in cash placed on long-term deposit	1,680	735	1,570
Interest received	63	64	150
Net cash inflow from investing activities	1,660	739	1,577
Net cash from financing activities			
Share issue	-	-	2
Net cash inflow from financing activities	-	-	2
Increase/(Decrease) in cash and cash equivalents	840	(77)	69
Cash and cash equivalents at beginning of year	624	555	555
Cash and cash equivalents at end of year	1,464	478	624
Short term investments	2,000	4,515	3,680
Short-term investments and cash and cash equivalents	3,464	4,993	4,304

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A copy of these interim condensed consolidated financial statements will be available on the Group's website www.oxfordsurfaces.com

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

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