

REGISTERED NUMBER: 05845469 (England and Wales)

OXFORD ADVANCED SURFACES GROUP PLC
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2014

About Oxford Advanced Surfaces

Oxford Advanced Surfaces Group plc (OAS) designs, develops and manufactures proprietary technology solutions to create engineered materials and address surface modification applications across many markets, including automotive, aerospace, communications, electronics, energy and packaging. Our primary focus is on the adhesion promotion of difficult-to-bond substrates.

Onto™ EP1000 adhesion promotion

This is our functional surface treatment that can be used to promote adhesion of two-part polyurethane and epoxy coatings (used as final coatings, finishes and adhesives throughout our target markets) to difficult-to-bond substrates such as engineering polymers, high performance (speciality) plastics and thermoplastic composites. The treatment can be applied to a substrate from solution using a range of coating methods and has been shown to prevent delamination even under severe weathering conditions.

There is a continuing drive in industry to use more plastic and composite materials; the problem with these materials is not the material itself but with joining components and decorating them for use. These are the adhesion promotion problems for which we provide proprietary and effective solutions.

Why Onto™ EP1000?

- It can enable the use of and/or extend the economic life of existing coatings, paints and adhesives, eliminating the need to develop new products and thus reducing costs in development and qualification
- It can speed the adoption of advanced materials and composites into end products
- It can enable the use of cheaper materials that have been rejected in many applications to this date due to difficulties with adhesion
- It can address the various limitations often attached to existing adhesion promotion technologies (chemical, surface activation and mechanical)

Onto™ platform

Our Onto™ chemistry provides a highly differentiated and proprietary technology platform for adhesion promotion. Onto™ opens up new markets for the most desirable advanced materials and is applicable across a range of processes and materials applications using multiple industry standard wet-process application methods.

The Onto™ chemistry is based on highly reactive molecules that allow chemical bonding to a wide range of organic and inorganic materials (such as engineering polymers, high performance (speciality) plastics and thermoplastic composites) in many different forms (such as sheets, films, membranes, particles, powders and fibres). The key advantage of our chemistry is that it can bond with materials that are inert or untouched by other adhesion promoters or has distinct advantages over existing surface treatments.

Our technology has applications in all areas of adhesion promotion, whether that be of coatings, paints and adhesives to substrates through to improving the adhesion between composite reinforcement structures and the composite matrix. It can be applied as a coating and cured (pre or post coating applications) or for specialist applications it can be included within the actual coating to be applied as an all-in-one solution.

Our innovative Onto™ technology is focussed on providing enhanced material properties for a broad range of high value applications in automotive, aerospace, communications, electronics, energy and packaging. Following the launch of our first product line we are now looking to expand our product offering within the same target markets.

OAS is also developing the use of its Onto™ technology to chemically modify carbon based materials, including graphene and carbon nanotubes, for multiple applications. The ability to modify both the dispersibility / affinity of carbon based materials for a solvent or coating, and to improve the chemical interaction and adhesion of the material within a coating is a powerful tool in the production of commercially relevant applications and products.

Contents

3	Joint Chairman and Chief Executive's Statement
5	Interim Consolidated Income Statement and Statement of Comprehensive Income
6	Interim Consolidated Statement of Financial Position
7	Interim Consolidated Statement of Changes in Equity
8	Interim Consolidated Statement of Cash Flows
9	Notes to the Interim Consolidated Financial Statements
12	Directors and Advisors

OAS provides enabling products to accelerate the adoption of composite materials, specialist coatings and engineering plastics across a wide range of industries including automotive, aerospace, construction, electronics, energy and packaging

Joint Chairman and Chief Executive's Statement

The Group has continued to make good technical and commercial progress in the six months to 30 June 2014. The focus on our core Onto™ technology, along with launching our evaluation products, has delivered results both in terms of cash management and commercial progress.

We have now sold commercial product to two companies; one being an industrial coatings user and the other a championship-winning Formula 1® constructor. We are delighted that we are now able to demonstrate the power of our chemistry in these market sectors. Although these sales are relatively small one-off purchases we believe that additional orders will follow and that this will lead to continued success with further companies adopting our products. There are multiple paid-for evaluation packs currently under assessment by customers in our target sectors and we hope to convert a number of these over the coming months.

The business has also operated with a significantly lower cost base which has ensured that we have maintained our available cash whilst still delivering on our commercial goals. More information is available in the Financial Results section of this review.

Strategic Review

Oxford Advanced Surfaces Limited

During the period since our last report, the Board has been considering the long-term future of the current operating business, Oxford Advanced Surfaces Limited ("OASL"). While still firmly of the view that OASL will be commercially successful, the Board's conclusion has been that operating OASL from within a listed group, with the associated costs and regulation attached to an AIM listing, does not offer the best means of achieving that success.

Accordingly, the Board has been exploring means by which OASL can be moved to management independent of the PLC while seeking independent funding for OASL.

It is currently proposed that new shares in OASL be offered to potential investors including current management and existing investors in the PLC, whilst leaving the PLC with no less than 75% of the overall shareholding of OASL. If this restructure is approved by the Board, OASL is expected to establish its own board of directors, comprising existing PLC directors and investor representatives, whose purpose will be to manage the day to day operations of the OASL business. The PLC itself is not anticipated to have any on-going funding commitment to OASL; should OASL require additional financing it will seek these funds independently.

If the Board approves this proposed restructure (which, if approved, is anticipated to complete within the next few weeks) the Board's membership will change to reflect the revised group structure. The current expectation is that the PLC Board will retain two non-executive directors in the form of James Ede-Golightly as the Chairman and Philip Spinks. At the same time it is anticipated that the OASL Board will be re-constituted to include Dr Peter Rowley as the non-executive Chairman, Philip Spinks as the Chief Executive and two additional non-executive directors comprising Dr David Bott and Mark Reilly.

Going forward, the Group's goal remains to maximise shareholder value. It will continue to consider the best way to achieve this in relation to its investment in OASL, whether that is through a sale, a distribution to shareholders or some other route. In addition the PLC will consider all strategic options regarding how best to utilise the cash it will retain post the proposed transaction.

It is anticipated that the PLC will change its name at the next Annual General Meeting to reflect its change in strategy.

Oxford Energy Technologies Limited

Following the suspension of further investment in our VISARC™ technology last year, the Board has concluded that there is very limited opportunity for the Group to generate any ongoing value in anti-reflection products. The Group would need to commit significant resources to achieve any value, and the likelihood of success is believed to be low in a highly competitive market place that is dominated by a small number of significant players. The Board continues to assess the possibilities of using this technology for other applications. The investment in this technology was fully impaired at December 2013 and there has been no change up to June 2014. The remaining VISARC™ know-how and patents, as part of Oxford Energy Technologies Limited, will be transferred to OASL as part of the proposed transaction.

Onto™ Technology Offering

The EP1000 series of Onto™ based surface treatments provides manufacturers with versatile bonding solutions for engineering plastics, thermoplastic composites, carbon-based materials and other difficult-to-bond substrates. EP1000 products primarily promote the adhesion of two-part polyurethane and epoxy-based coatings, inks and adhesives to the substrate. Onto™ adhesion promotion treatments can be integrated into existing manufacturing facilities for use in a wide range of applications. We are also well prepared for scale manufacture.

We have expanded our evaluation products to allow testing via dip and brush coating techniques. In addition our product is suitable for oven, hot air or infra-red curing. We have further products in development that will allow application by spray coating and also reduced VOC formulations. We also plan to add a UV-curable system to the range. In time we should be able to provide products for a broader range of coatings, including acrylate coatings that are used extensively across many industries. We will continue to develop our work with carbon based materials such as graphene and nanotubes.

We have also made good initial progress with our Technology Strategy Board-funded development project with Sun Chemicals Limited. We are now 7 months into the 30 month programme. The project aims to create a novel radcure coating platform that can bring differentiation to ink-jet 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.

Financial Results

Group revenue for the six month period ended 30 June 2014 was £19,000 (2013: £3,000). This was generated through the sale of evaluation and commercial products of £3,000 along with a further £16,000 from grant funding. The loss before tax for the six month period was £546,000 (2013: £932,000).

OXFORD ADVANCED SURFACES GROUP PLC

Unaudited interim consolidated financial statements to 30 June 2014

Research and development costs decreased from £412,000 to £276,000. Reactive Chemistry costs increased from £154,000 to £235,000 and those associated with Particle Technologies reduced from £250,000 to £34,000.

Interest from deposits for the period amounted to £12,000 (2013: £44,000). This reduction was driven by the lower cash balance and the lack of availability of attractive interest rates in the current financial market.

We continue to utilise the benefits from enhanced research and development tax credits and also seek available tax repayments under the Small and Large Company schemes. For the period to 30 June 2014 this credit amounted to £32,000 (2013: £75,000).

The Group has £2,227,000 of cash held on instant access and deposit. The overall cash position reduced by £533,000 during the six month period to 30 June 2014 (2013: £840,000). The cash outflow from operations amounted to £484,000 (2013: £869,000).

Outlook

The board and management team believe that the revised strategy and long term plans better positions both the PLC and OASL for future success.

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

Philip Spinks

Chief Executive Officer

Dr Peter Rowley

Non-executive Chairman

29 August 2014

Company Number: 5845469

OXFORD ADVANCED SURFACES GROUP PLC
INTERIM CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
 Unaudited interim consolidated financial statements to 30 June 2014

	Notes	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year to 31 December 2013 Audited £'000
Continuing Operations				
Revenue		19	3	3
Cost of sales		(17)	(90)	(1)
Gross profit/(loss)		2	(87)	2
Research and development costs		(276)	(412)	(969)
Other administrative costs		(284)	(477)	(1,029)
Operating loss		(558)	(976)	(1,996)
Finance income		12	44	65
Loss before tax	4	(546)	(932)	(1,931)
Income tax credit		32	75	142
Loss for the period and total comprehensive loss for the period	4	(514)	(857)	(1,789)
Loss per share attributable to the equity holders of the company:				
Total and continuing:				
— Basic and diluted (pence)	6	(0.26)	(0.44)	(0.91)

The notes on pages 9 to 11 form an integral part of these condensed consolidated interim financial statements.

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 interim consolidated financial statements to 30 June 2014

		30 June 2014	30 June 2013	31 December 2013
	Notes	Unaudited £'000	Unaudited £'000	Audited £'000
Assets				
Non-current assets				
Intangible assets		333	428	316
Plant and equipment		123	178	136
		456	606	452
Current assets				
Trade and other receivables		61	327	57
Corporation tax due		172		140
Short-term investments and cash and cash equivalents	5	2,227	3,464	2,760
		2,460	3,791	2,957
Liabilities				
Current liabilities				
Trade and other payables		136	153	120
		2,324	3,638	2,837
Liabilities				
Non-current liabilities				
Provisions		10	10	10
		2,770	4,234	3,279
Shareholders' equity				
Called up share capital		1,977	1,977	1,977
Share premium		10,603	10,603	10,603
Merger reserve		6,369	6,369	6,369
Reverse acquisition reserve		(6,831)	(6,831)	(6,831)
Retained earnings		(9,661)	(8,214)	(9,147)
Share-based payments reserve		313	330	308
		2,770	4,234	3,279
Total equity attributable to equity holders of the Company				

Approved by the Board and authorised for issue on 29 August 2014

Philip Spinks
 Chief Executive Officer

OXFORD ADVANCED SURFACES GROUP PLC
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 Unaudited interim consolidated financial statements to 30 June 2014

	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 2013	1,977	10,603	6,369	(6,831)	(7,365)	278	5,031
Total comprehensive loss for the six months to 30 June 2013	-	-	-	-	(857)	-	(857)
Transfer of share based payment charges on cancellation	-	-	-	-	8	(8)	-
Share based payments	-	-	-	-	-	60	60
At 30 June 2013	1,977	10,603	6,369	(6,831)	(8,214)	330	4,234
Total comprehensive loss for the six months to 31 December 2013	-	-	-	-	(932)	-	(932)
Employee benefit trust	-	-	-	-	(2)	-	(2)
Transfer of share based payment charges on cancellation of options	-	-	-	-	1	(1)	-
Share based payments	-	-	-	-	-	(21)	(21)
At 31 December 2013	1,977	10,603	6,369	(6,831)	(9,147)	308	3,279
Total comprehensive loss for the six months to 30 June 2014	-	-	-	-	(514)	-	(514)
Share based payments	-	-	-	-	-	5	5
At 30 June 2014	1,977	10,603	6,369	(6,831)	(9,661)	313	2,770

OXFORD ADVANCED SURFACES GROUP PLC
INTERIM CONSOLIDATED CASH FLOW STATEMENT
Unaudited interim consolidated financial statements to 30 June 2014

		Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
	Notes	Unaudited £'000s	Unaudited £'000s	Audited £'000s
Loss before tax		(546)	(932)	(1,931)
Depreciation and amortisation charges		58	64	129
Impairment of intangible assets		-	-	129
Loss/(profit) on disposal of plant and equipment		(1)	(1)	4
Share-based payment expense		5	60	39
Finance income		(12)	(44)	(65)
		(496)	(853)	(1,695)
Decrease/(increase) in trade and other receivables		(4)	(24)	6
(Decrease)/increase in trade and other payables		16	8	(25)
Cash outflow from operations		(484)	(869)	(1,714)
Income tax received		-	49	161
Net cash outflow from operating activities		(484)	(820)	(1,553)
Cash flows from investing activities				
Proceeds from sale of plant and equipment		-	-	1
Purchase of intangible assets		(30)	(48)	(81)
Purchase of plant and equipment		(31)	(35)	(47)
Decrease/(increase) in short-term investments		-	1,680	3,680
Interest received		12	63	138
Net cash inflow/(outflow) from investing activities		(49)	1,660	3,691
Net cash from financing activities				
Funds repaid on forfeiture of EBT jointly owned shares		-	-	(2)
Net cash inflow from financing activities		-	-	(2)
Increase/(decrease) in cash and cash equivalents		(533)	840	2,136
Cash and cash equivalents at beginning of year	5	2,760	624	624
Cash and cash equivalents at end of year	5	2,227	1,464	2,760
Short-term investments		-	2,000	-
Short-term investments and cash and cash equivalents	5	2,227	3,464	2,760

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.

OXFORD ADVANCED SURFACES GROUP PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited interim financial statements to 30 June 2014

1 Corporate information

Oxford Advanced Surfaces Group plc (“the Company” or “OAS”) and its subsidiaries (together “the Group”) is a unique research and development company that aims to provide enabling products to accelerate the adoption of composite materials, specialist coatings and engineering plastics across a wide range of industries including automotive, aerospace, construction, electronics, energy and packaging.

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 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 2014 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 2013. 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 2013 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 2013. As 1 January 2014 there are no new standards or interpretations that resulted in any impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 Going concern

Information on the business environment, financial position and the factors underpinning the Group’s future prospects and product portfolio are included in the Joint Chairman and Chief Executive’s Review. 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 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. The Group decided on 27 August 2013 to suspend further investment in the VISARC™ technology platform, although it currently retains the key know-how and intellectual property generated for future use.

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.

OXFORD ADVANCED SURFACES GROUP PLC
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Unaudited interim financial statements to 30 June 2014

Six months ended 30 June 2014 Unaudited	Reactive Chemistry £'000	Particle Technologies £'000	Corporate unallocated £'000	Consolidated £'000
Revenue				
Fee paying agreements	3	-	-	3
Grants	16	-	-	16
Total Revenue	19	-	-	19
Cost of sales	(17)	-	-	(17)
Research and development costs	(235)	(34)	(7)	(276)
Other administrative costs	(8)	(5)	(271)	(284)
Finance Income	-	-	12	12
Segment loss before tax	(241)	(39)	(266)	(546)
Income tax credit	32	-	-	32
Loss for the year	(209)	(39)	(266)	(514)
Included in the above are:				
Depreciation and amortisation	25	33	-	58

Six months ended 30 June 2013 Unaudited	Reactive Chemistry £'000	Particle Technologies £'000	Corporate unallocated £'000	Consolidated £'000
Revenue				
Fee paying agreements	3	-	-	3
Grants	-	-	-	-
Total Revenue	3	-	-	3
Cost of sales	(38)	(52)	-	(90)
Research and development costs	(154)	(250)	(8)	(412)
Other administrative costs	(37)	(26)	(414)	(477)
Finance income	-	-	44	44
Segment loss before tax	(226)	(328)	(378)	(932)
Income tax credit	31	44	-	75
Loss for the year	(195)	(284)	(378)	(857)
Included in the above are:				
Depreciation and amortisation	25	38	1	64

5 Short-Term Investments and Cash and Cash Equivalents

	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
Short term investments	-	2,000	-
Cash at bank and in hand	2,227	1,464	2,760
	2,227	3,464	2,760

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.

OXFORD ADVANCED SURFACES GROUP PLC
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 Unaudited interim financial statements to 30 June 2014

6 Loss per Share

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 2014 Unaudited	Six months to 30 June 2013 Unaudited	Year to 31 December 2013 Audited
Loss attributable to equity holders of the group (£'000)	(514)	(857)	(1,789)
Weighted average number of ordinary shares in issue	195,740,641	195,740,641	195,740,641
Basic & diluted loss per share (pence)	(0.26)	(0.44)	(0.91)

7 Ultimate Controlling Party

In the opinion of the directors, there is no ultimate controlling party.

8 Post Balance Sheet Events

As discussed in the Joint Chairman and Chief Executive's Review the Board are currently assessing a proposal to independently fund Oxford Advanced Surfaces Limited.

9 Interim Consolidated Financial Statements

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

**OXFORD ADVANCED SURFACES GROUP PLC
DIRECTORS AND ADVISERS**

Unaudited interim consolidated financial statements to 30 June 2014

DIRECTORS

Dr Peter Rowley

(Non-executive Chairman)

Philip Spinks

(Chief Executive Officer)

Dr David Bott

(Non-executive Director)

James Ede-Golightly

(Non-executive Director)

COMPANY SECRETARY

Philip Spinks

REGISTERED OFFICE

Centre for Innovation & Enterprise
Begbroke Science Park
Begbroke Hill
Woodstock Road
Begbroke OX5 1PF

BROKER & NOMINATED ADVISOR

W H Ireland Limited
4 Colston Avenue
Bristol BS1 4ST

AUDITOR

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading RG1 1YE

REGISTRARS

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

COMPANY NUMBER

05845469 (England and Wales)