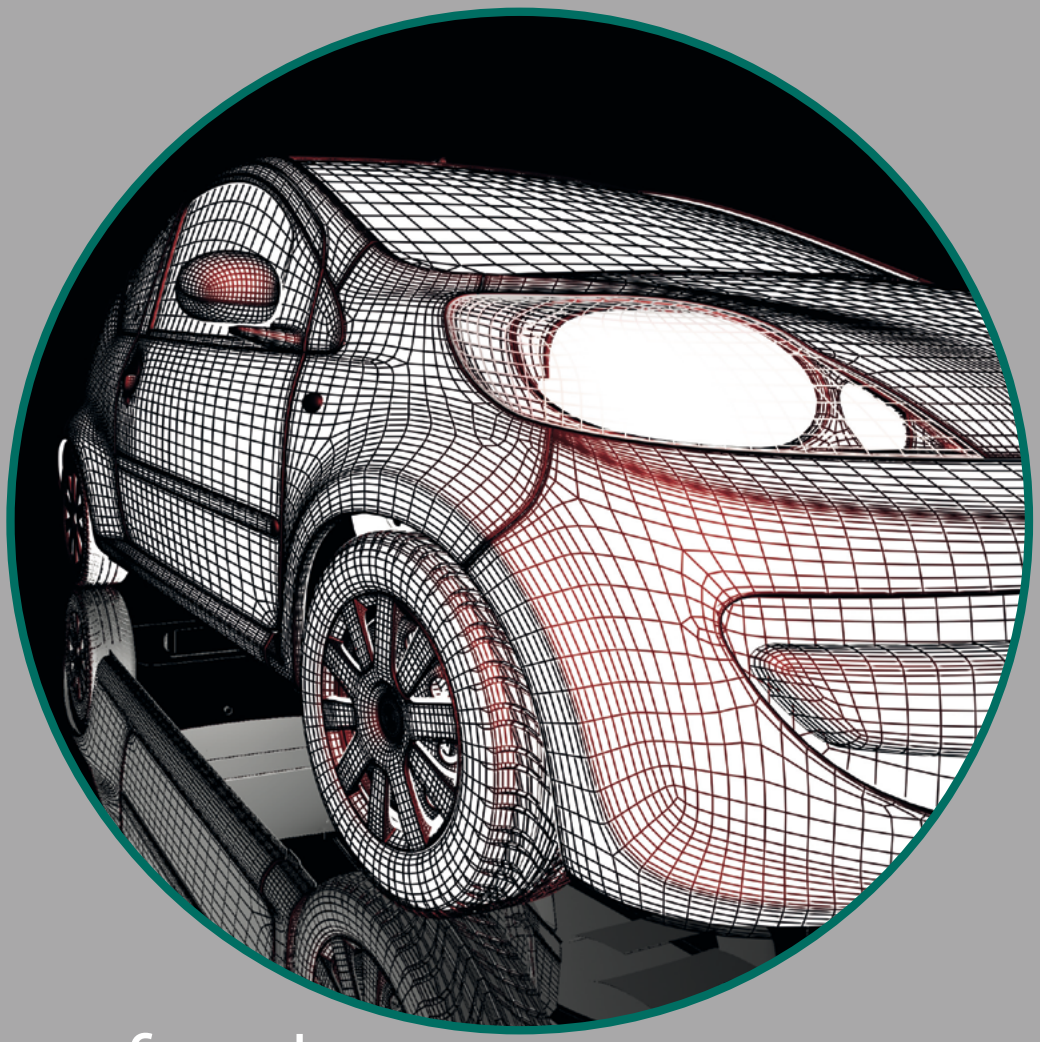
Report & Accounts 2014



oxford advanced surfaces

science applied Onto

(just about anything)

About Oxford Advanced Surfaces

Oxford Advanced Surfaces Limited (OASL), the trading subsidiary of Oxford Advanced Surfaces Group plc, aims to change the face of advanced materials. We have developed and patented a platform technology, Onto™, that through targeted product development can make a real difference to designers and engineers wanting to use the best materials for the job.

"We want our customers to have the ability to create new products with superior performance – to realise a product from the designer's innovative concept."

In engineering sectors like automotive, aerospace, marine and energy, engineering plastics and composites are often the most desirable materials to use because they combine beneficial properties like strength, light weight, flexibility and resistance to heat and solvents. The problem is that a lot of these materials have incompatibility issues with other materials, which means that if they need to be painted, coated or bonded to other components as part of an assembled product then solutions to overcome these problems need to be found.

This incompatibility stems from the material's surface properties which make them difficult or even impossible to bond to. The result is that either the product has poor bonding performance or a substitute material with sub-optimal properties must be chosen. Either way the compromise leads to a product with inferior performance.

"Our surface treatments unlock the potential of advanced materials. We provide practical solutions to surface modification that give people the ability to create superior products from high performance materials."

No more compromises, just innovation.

We are experts in surface modification, and we have developed a strong understanding of high performance materials. We aim to enable our customers to design better products by expanding their choice of the most desirable materials for each application and thereby delivering added value to them and their customers.

Onto™ Technology

OAS has developed a range of products incorporating its patented platform technology – Onto™. These products are targeted at solving issues in the design and engineering of products using today's most advanced materials. Our products deliver consistent results through chemical bonding, eliminating issues with some surface preparation treatments and processes. They are simple to apply and use whilst being safe and environmentally friendly.

One of the biggest issues with advanced materials, mainly plastics, is how to effectively incorporate the best material into your finished product. Things need bonding, fixing, coating and painting (these are all "adhesion challenges"). Onto™ products provide solutions for high performance materials – engineering thermoplastics, thermosets and composites which have many significant benefits over metals, but present far greater challenges in adhesion.

Our initial focus is on the modification of the surface of these materials to enable/enhance adhesion via the supply of easy to use surface primers. Our primers are already in the market and we have developed a marketing and business development strategy to grow awareness, market penetration and revenues. OAS has a number of additional applications in development and intends to continue to release further products and Onto™ based materials into the market over the coming years.

Products and Services

OAS provides engineering services and solutions to companies who design and manufacture products using high-performance materials. We have a highly technical and skilled team of chemists who can apply the Onto™ technology to various applications across our defined market segments.

We have an existing library of surface primers that are available for trial and commercial sale and we continue to design and customise products as we discover more challenges in each market segment we approach.

Our key current and potential product offerings are all based around promoting the adhesion between two materials – a solid substrate and a coating, adhesive or even a resin that later sets to a solid. The backbone of these products is a range of tailored Onto™ based cross-linkers that we apply through various methods and through specific formulations.

Our current product families are:

EP1000 for epoxies, polyurethane and silicone coatings and adhesives

- The product range now includes formulations suitable for mass roll-to-roll applications, spray coating, dip and also brush.

EP2000 (Beta product) for acrylates

- Developed from EP1000 specifically to work with acrylates. This has potential use in automotive, electronics and industrial applications.

EP3000 (Beta product) for film metallisation

- Designed to promote the adhesion of metal deposition onto plastic films, which for current in-line processes is considered to be sub-optimal.

Fibre Sizing (under development)

- Fibre sizing is used in composite materials to increase the bond between the reinforcement agent and the resin or matrix that holds it all together. We are working on solutions for hard to bond reinforcement agents outside the standard carbon fibre model.

Unformulated cross-linkers.

- We are able to use our patented cross-linkers within a more complex product than a primer system. Through a grant based partnership with Sun Chemical we are helping develop a UV curable ink system for graphic displays and packaging. This will allow the direct printing of inks onto hard to bond substrates.

Why Onto™?

The world is adopting advanced materials at a rapid rate. Composite materials are now regularly seen in products such as passenger jets as their strength and lightness help reduce fuel consumption whilst their fatigue and corrosion resistance extend out maintenance schedules. These materials often suffer from bonding challenges and the market continues to seek better solutions. OAS is well positioned to take advantage of these opportunities and offers unique advantages over other surface modification methods. Onto™ based products bring a number of benefits including increased performance, improved production processes, cost reduction and good environmental credentials.

We can modify the surface of many materials in many forms – from particles and fibres through to panels and three dimensional shapes. Our products are effective on many substrates and with a broad range of adhesives and coatings and can be used from small scale off-line processes through to high volume in-line manufacturing lines.

Onto™ products do not damage the surface or bulk properties of the material being modified providing consistent and reproducible results that some forms of surface preparation simply cannot; this can reduce rejection rates and improve throughput. We can provide efficient application options to minimise waste and work around existing production processes with minimal capital outlay. Once treated the coating efficacy has a long shelf life and as such you can select in-line or batch modification processes to improve efficiency. We are also able to treat multiple substrates with the same coating and thus you can homogenise a surface for onward treatment.

Contents

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 Reilly, a representative of IP Group plc. 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

Board of Directors

James Ede-Golightly
Chairman
James joined the Board in July 2014. He is Chairman of East Balkan Properties Plc and Quoram Plc and has extensive experience as a non-executive on the Boards of AIM-quoted companies with international business interests. James was a founder of ORA Capital Partners in 2006, having previously worked as an analyst at Merrill Lynch Investment Managers and Commerzbank. He is a CFA Charterholder and holds an MA in economics from Cambridge University. In 2012 he was awarded New Chartered Director of the Year by the Institute of Directors.

Michael Bretherton
Director
Michael joined the Board in June 2015. He is the executive Chairman of Sarossa PLC and a Director of ORA Limited and Adams Plc. In addition, Michael has been a Non-executive Director of six other AIM quoted companies during the last five years, including Nanoco Group plc, Tissue Regenix Group plc and Ceres Power Holdings Plc. He has a degree in Economics from Leeds University and is a member of the Institute of Chartered Accountants in England and Wales. His early career included working as an accountant and manager with PriceWaterhouse for seven years in London and the Middle East, followed by finance roles at the Plessey Company plc, Bridgend Group plc, Mapeley Limited and Lionhead Studios Limited.

Philip Spinks
Director
Philip originally joined the Board in February 2008 as the Chief Financial Officer before becoming the Chief Executive Officer on 15 November 2013 following the restructuring of OAS. He now supports the business as a Director and continues as the Chief Executive of the Group's subsidiary Oxford Advanced Surfaces Limited. He previously worked as a chartered accountant at Brooking, Knowles & Lawrence before moving to Coopers & Lybrand in the London Middle Markets division, supporting high growth and entrepreneurial business in audit, M&A, due diligence and corporate taxation. Philip then joined The BOC Group Plc in 1997. In his 10 years at BOC he held a number of senior finance roles within group reporting, corporate finance and treasury before becoming the finance director for BOC Europe Bulk & Tonnage division. Following the acquisition of BOC by The Linde Group in 2006 Philip was appointed as Financial Controller – Global Lines of Business for the newly combined Gasses division, based in Munich, and supported the new Group through the integration process. He is a Chartered Accountant and an associate member of the Association of Corporate Treasurers.

Corporate Governance

The Directors recognise the importance of sound corporate governance and have established a corporate governance framework that reflects the Group's size and stage of development.

The Company's shares are traded on the AIM Market of the London Stock Exchange and the Company is not therefore required to report on compliance with the UK Corporate Governance Code ("The Code"). However the Board of Directors supports The Code, and also the recommendations of the Quoted Companies Alliance ("QCA") in its bulletin "Corporate Governance Code for Small and Mid-sized entities 2013" (the "QCA Code"). The QCA Code provides a series of recommendations for smaller quoted companies in approaching the question of corporate governance. The report below sets out how the principles of the QCA Code have been applied during the year under review.

The Board of Directors

The Company is controlled through its Board of Directors, the principal functions of which are oversight of the Company's investment in OASL, strategy, risks and reporting obligations. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions and for ensuring that the necessary financial and other resources are made available to enable those objectives to be met. It has a schedule of matters reserved for its approval including but not limited to, decisions on strategy and risk management, approval of budgets, acquisitions and disposals, major capital expenditure, legal and insurance issues, Board structure and the appointment of advisors.

All Directors are subject to election by the shareholders at the Annual General Meeting following their appointment to the Board and to re-election at intervals of not more than three years. As at 31 December 2014 the Board comprised of two Directors. The names of the current Directors together with their biographical details and any other directorships are set out on page 4. The Group maintains, for its Directors and officers, liability insurance for any claims against them in that capacity. The Group has effective procedures in place to deal with conflicts of interest. The Board is aware of other commitments of its Directors and changes to these commitments are reported to the Board.

Committees of the Board

The committees of the Board comprise all of the Directors. The Audit Committee and the Remuneration Committee meet once or twice a year as required. The responsibilities of the Remuneration Committee are contained in the Directors' Remuneration Report.

Audit Committee

The Audit Committee's primary responsibilities are to review and monitor:

- the annual report and accounts and preliminary and interim results and statements of the Group;
- the appropriateness of accounting policies and the critical judgements and estimates;
- the relevance of developments in accounting and reporting requirements;
- the effectiveness of internal controls and risk management systems;
- the auditor's plan for the year-end audit;
- the formal engagement terms, performance, objectivity and independence of the auditors including the extent of non-audit work undertaken by the auditors; and
- the audit and non-audit fees of the auditors.

The committee has recommended to the Board that a resolution reappointing Nexia Smith & Williamson as external auditors be put to the shareholders at the forthcoming AGM.

Internal control and risk management

The Directors have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance that the assets of the Group are safeguarded and that shareholders' investments are protected. The system includes internal controls appropriate for a Group of this size, and covers financial, operational, compliance (including health and safety) and risk management. The processes and procedures in place are designed to manage rather than eliminate risk and can therefore only provide a reasonable and not an absolute assurance against material misstatements or losses. The process in place for reviewing systems of internal control includes procedures designed to identify and evaluate failings and weaknesses, and, in the case of any categorised as significant, procedures exist to ensure that necessary action is taken to remedy the failings.

The key procedures designed to provide an effective system of internal controls that are operating up to the date of sign-off of this report are set out below.

Control Environment

There is an organisational structure with clearly defined lines of responsibility and delegation of accountability and authority. Some key features of the internal control system are:

- Management accounts information and business risk issues are regularly reviewed by the Board;
- Annual budgets are reviewed and approved by the Board;
- The Group has operational, accounting and employment policies in place;
- There is a clearly defined organisational structure and there are well-established financial reporting and control systems;
- Accounting systems and procedures will be reviewed at least annually as the business grows in order to ensure that they are appropriate to the size and complexity of the business;
- The Board actively identifies and evaluates risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and
- The precise accounting controls and procedures to be adopted by the Group following an acquisition of a subsidiary business will be determined at the time an acquisition is made.

Risk Management

The Group employs Directors and senior personnel with the appropriate knowledge and experience for a business engaged in activities in its field of operations, and undertakes regular risk assessments and reviews of its activities.

Financial Information

The Group prepares detailed budget and working capital projections which are approved annually by the Board. Detailed management accounts and working capital cash flows are prepared on a monthly basis and compared to budgets and projections to identify any significant variances.

Management of Liquid Resources

The Board is risk averse when investing the Group's surplus cash. The Group's treasury management policy is reviewed periodically and sets out strict procedures and limits on how surplus funds are invested.

Information

Board reports and papers are circulated to the Directors in advance of the relevant Board or committee meeting. These papers are supplemented by information specifically requested by the Directors from time to time. Minutes of Board and committee meetings are circulated to all Board members. The Directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives.

Director dealings in Company shares

The Group has adopted a model code for Directors' dealings in securities of the Company which is appropriate for a company quoted on AIM. The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and also take all reasonable steps to ensure compliance by the Group's "applicable employees" as defined in the AIM Rules.

Investor Relations

The Board considers effective communication with shareholders to be very important, and encourages regular dialogue with investors. The Board responds promptly to questions received verbally or in writing. Shareholders will be given at least 21 days' notice of the Annual General Meeting, at which they will have the opportunity to discuss the Group's developments and performance.

The Company's website www.oxfordsurfaces.com contains full details of the Group's activities, press releases and other details, as well as a link to the relevant share price details, share trading activities and graphs, as well as Regulatory News Service ("RNS") announcements.

Annual General Meeting (AGM)

At the AGM, separate resolutions will be proposed for each substantially different issue. The outcome of the voting on AGM resolutions is disclosed by means of an announcement on the London Stock Exchange.

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, Strategic Report and the Directors' Report. The Directors have considered their obligations in relation to the assessment of the going concern of the Group and each statutory entity within it, and have reviewed the current forecasts and assumptions.

The financial position of the Group is outlined in the Strategic Report. The Directors believe that the opportunities provided through the platform technology and potential customer base, together with the current cash resources available, will enable it to continue to operate for the medium term. The Directors therefore consider the going concern basis of preparing the accounts to be appropriate.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website (www.oxfordsurfaces.com) and legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

Introduction

The Remuneration Committee is committed to maintaining high standards of corporate governance and disclosure and has applied the guidelines as far as practical given the current size and development of the Group.

Remuneration Committee

The Remuneration Committee comprises of the Directors with James Ede-Golightly as Chairman. It meets as required and at least annually to consider all aspects of the remuneration of the executive Directors of the Group.

The policy of the Remuneration Committee is to reward executive Directors in line with the current development of the Group and with the current remuneration of Directors in comparable businesses in order to recruit, motivate and retain high quality executives in a competitive marketplace.

The Group does not currently operate a Group pension scheme. It does however offer a salary sacrifice scheme, which is open to all executive Directors and employees. In addition a death in service policy and an income protection scheme is in place for all executive Directors and employees. There are no other benefits currently offered by the Group.

Remuneration policy for Non-executive Directors

Remuneration for Non-executive Directors is set by the Board as a whole. Non-executives do not receive any pension payments or other benefits nor do they participate in bonus schemes.

Directors' Shareholdings

The interests of the Directors in the shares of the Company at 31 December 2014 were:

	Ordinary shares of 1p each			
	31 December 2014		31 December 2013	
	Number	Per cent	Number	Per cent
James Ede-Golightly	580,249	0.29%	n/a	n/a
Philip Spinks	61,500	0.03%	61,500	0.03%
Dr Peter Rowley	n/a	n/a	99,502	0.05%
Dr David Bott	n/a	n/a	36,000	0.02%

Directors' Remuneration

Name of Director	Salaries and fees £'000	Pension £'000	Total December 2014 £'000	Total December 2013 £'000
James Ede-Golightly (appointed 21 July 2014)	6	–	6	–
Philip Spinks	81	6	87	100
Dr Peter Rowley (resigned 8 September 2014)	10	–	10	15
Dr David Bott (resigned 8 September 2014)	8	–	8	12
Adrian Meldrum (retired 14 July 2014)	8	–	8	131
Mike Edwards (resigned 13 September 2013)	–	–	–	116
Michael Bretherton (resigned 24 September 2013)	–	–	–	8
	113	6	119	382

In addition to the above, from 8 September 2014, Oxford Advanced Surfaces Ltd received a fee for Philip Spinks' services as a Director for the Board. This amounted to £2,433. On 15 November 2013 Adrian Meldrum resigned as an executive Director and became a Non-executive Director. All remuneration disclosed covers both appointments.

During the year under review a share-based payments charge was recognised in the profit and loss account in relation to share options and jointly owned shares made available to the Directors. For 2014 this equated to £11,000 for Philip Spinks. For the year to 31 December 2013 this equated to £22,000 for Philip Spinks and £9,000 for Mike Edwards.

Non-executive Directors have service contracts for three years with one month's notice. All Directors are required to put themselves up for re-election as detailed under the Articles of Association and all service contracts and letters of appointment are subject to early termination provisions. The sums for the services of Dr David Bott are paid via a third party (see note 23).

Directors' Share Options and Jointly Owned Employee Benefit Trust Shares

Directors' interests in share options and jointly owned shares to acquire ordinary shares of 1 penny each in the Company at 31 December 2014 were:

Share Options	At 1 January 2014	Forfeited	Total 31 December 2014	Exercise price	Vesting condition target price	Exercisable from	Date of expiry
Philip Spinks	400,000	–	400,000	10.0p	15.0p	01/10/2013	30/09/2022
	400,000	–	400,000	10.0p	20.0p	01/10/2014	30/09/2022
	400,000	–	400,000	10.0p	25.0p	01/10/2015	30/09/2022
	400,000	–	400,000	10.0p	30.0p	01/10/2016	30/09/2022
Mike Edwards	400,000	(400,000)	–	10.0p	15.0p	01/10/2013	30/09/2022
	2,000,000	(400,000)	1,600,000				

Mike Edwards forfeited his entitlement to his options on his resignation on 13 September 2013, apart from 400,000 options that contractually remained available until 16 June 2014. The performance conditions were not met and the options were forfeited at that date.

The mid-market price of the shares in Oxford Advanced Surfaces Group plc was 1.63 pence at 31 December 2014 and the range during the year was 1.63 pence to 4.88 pence.

On behalf of the Board

James Ede-Golightly
Chairman of the Remuneration Committee
3 June 2015

Strategic Report

The Directors present their Strategic Report with the Group Financial Statements for the year to 31 December 2014 and their assessment of the risks faced by the Group.

Principal Activity

The principal activity of the Company is as a quoted holding company, currently for Oxford Advanced Surfaces Limited in which the Company holds a 77.54% interest, and providing management services to its investments.

Business Review

A review of the Group's performance and future prospects is included in the Chairman's Statement on page 3.

Financial Review

The Consolidated Financial Statements have been prepared for the year to 31 December 2014.

Trading

The year ended 31 December 2014 delivered income of £86,000 (2013: £3,000).The income reflected charges for samples and products of £17,000 (2013: £3,000) and grant income of £69,000 (2013: £nil). The Group continued to work on a number of internally generated projects and product sampling in order to generate further interest in the Group's technology offerings. The loss before tax for the year was £1,037,000 (2013: £1,931,000).

Research and development costs decreased from £969,000 to £494,000 driven by our increased internal focus on the Onto™ technology platform and the suspension of our development of the VISARC™ technology in 2013. Administrative costs decreased from £1,029,000 to £579,000. We continue to review our costs in all areas to ensure that we get full value from both our research and development endeavors and our administrative functions.

Interest from deposits for the year amounted to £15,000 (2013: £65,000). This reduction was driven by a lower cash balance and the availability of attractive interest rates in the current market.

Balance Sheet

We currently have three active patent families in the Onto™ technology space, two of which have been granted in multiple territories, the third is published and being inspected. We believe we have a strong patent portfolio for our key Onto™ platform which will support the business going forwards. We will continue to develop and enhance our portfolio with additional filings for key applications of our existing technology platform.

The Group has a strong balance sheet and the Directors believe that this is sufficient, along with our significantly reduced cost base, to support the business for the foreseeable future. At 31 December 2014 the Group had £2,563,000 (2013: £2,760,000) of cash held in instant access and term deposits specifically for developing and commercialising its technology.

Cash flow

The Group's overall cash position reduced by £197,000 (£849,000 excluding the new capital contribution to the subsidiary Oxford Advanced Surfaces Limited) during the year (2013: £1,544,000 excluding receipt from maturity of short-term investments). The net cash outflow from operations amounted to £917,000 (2013: £1,714,000) whilst £46,000 (2013: £47,000) was invested in laboratory equipment, computers and office fittings to support business growth and technology development. Investment in our patent portfolio decreased to £47,000 (2013: £81,000) reflecting the reduced patent families covered following the suspension of further investment into VISARC™ in 2013.

Risk Review

The analysis of key performance indicators ("KPIs") is included in the Trading section of the Strategic Report. The Directors believe that performance is best measured by achievement against technical and business development milestones. These include progress towards commercial readiness including having in place manufacturing capability and capacity to support new projects, the size and quality of development pipeline, progress towards income and cash burn rate.

Employment Policies

The Group is committed to the health and safety of its employees in the workplace and has process and procedures, combined with appropriate training and risk assessment, to ensure the same. The Group supports employment of disabled people wherever possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion. The Group is committed to keeping employees as fully informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

Operating Risks

The key operating risks of the Group and the measures taken to manage these are summarised below.

Technology Risk

There is a risk that technology development is delayed or specific programme targets cannot be met. The Group manages the development of its technology through separate development programmes. Each programme has a specific set of milestones (either internal or external), measurable goals, timeline and budget. Performance against each of these is monitored regularly, depending on the programme requirements. This enables the Group to identify issues at an early stage and take appropriate mitigating actions.

Platform Technology

The Directors consider that the broad range of applications across multiple industries to which the Group's technology can be applied provides a significant mitigation against the risk of failure of any one application within individual industries.

Commercial success and market acceptance

There can be no assurance that any current or future product development will be successfully developed into any commercially viable product or products. The Group's success will depend on the market's acceptance of its products and there can be no guarantee that this will be forthcoming or that the Group's technologies will succeed as an alternative to other new products.

If a mass market for any product or process fails to develop or develops more slowly than anticipated, the Group may fail to recover the losses incurred in the development process and may never achieve profitability. There is also an inherent risk that unforeseen alternative technologies or market evolution could result in the loss of commercial opportunities for the Group.

The Group's strategy of developing products to meet identified market needs and where applicable under joint development agreements with leading companies in large and valuable market applications is designed to maximise the chance of adoption and drive mass market uptake.

Manufacturing

There is a risk that we are unable to meet customer requirements within set timescales for individual market opportunities. The Group is working with leading manufacturers of specialty chemicals to develop the manufacturing capability for commercial sales of its products. By using manufacturing partners with proven track-records in their fields, rather than developing capability in-house, the Directors consider that the manufacturing risk is significantly reduced.

Early stage operations

The Group is at an early stage of development. It is difficult to predict if and when material revenues will arise and the Group faces risks frequently encountered by developing companies. The Group's success will depend on its ability to develop a portfolio of products and services which address specific market needs and develop suitable licensing, royalty and contract manufacture models and capture value from business opportunities. The Group's business model involves focusing development on identified market needs and seeking commercial agreements to take the products to market.

Research and development risks

The Group is involved in complex scientific areas and industry experience in such areas indicates a high incidence of delay or failure to produce results. Delays in achieving required results may result in the loss of an opportunity due to alternative competitive technologies or changing industry requirements and specifications. In addition, novel chemical reagents may face potential regulatory barriers which by their nature will vary, for example, by application, geography, volume of business and which are therefore difficult to anticipate at present.

Attraction and retention of key employees

The Group depends on its Directors and other key employees and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The Group has attempted to reduce this risk by offering competitive remuneration packages including the opportunity to participate in a share option scheme and investment in training, development and succession planning.

Intellectual Property

A significant part of the Group's future development and growth depends on its intellectual property. If intellectual property is inadequately protected, the Group's future success could become adversely affected. The Group may not be able to protect and preserve its intellectual property or to exclude competitors with competing technology products. The Group continues to invest in the protection and expansion of its intellectual property portfolio. In addition the Group utilises internal procedures and controls to identify and capture new intellectual property and to prevent unauthorised disclosure to third parties.

Financial Risks

The Group's activities expose it to a number of financial risks including credit risk, interest rate risk and liquidity risk. The Group is not currently exposed to significant exchange rate risks. At present the Group does not use financial derivatives in the normal course of business. The Group's and the Company's financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The main purpose of these financial instruments is the funding of the Group's activities.

Credit Risk

The Group's principal financial assets are cash, cash equivalents, trade and other receivables. The Group's credit risk is primarily attributable to its cash and cash equivalents. The credit risk on liquid funds is limited to counterparties (banks) with high credit ratings assigned by international credit rating agencies. The Group has a treasury policy designed to ensure that cash and cash equivalents are only placed with high credit rated institutions and that the spread of such assets is sufficient that it is not overly exposed to any one institution.

Interest Rate Risk

Through the holding of cash and cash equivalents, the Group's activities expose it to the financial risk of changes in interest rates. Where practical a proportion of interest bearing assets are held at fixed rate to ensure certainty of cash flows.

Liquidity Risk

Group policy is to maintain sufficient cash balances to meet its anticipated requirements over the coming 12 to 24 months. Funds are placed on time deposits with cash balances available for immediate withdrawal if required.

Capital Management Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Funding

The Group had in excess of £2.5m of cash funding available at the end of the year of which £1.8m was at the PLC level and the balance sat with the subsidiary Oxford Advanced Surfaces Limited ("OAS"). Management believes that this provides sufficient funding for the PLC to execute its investment strategy.

Future Developments

The Board aims to continue its corporate strategies as outlined in the Chairman's Statement.

Company Development Activities

The Company continues to invest in development. The Onto™ platform and associated product offerings are expected to make significant contributions to the growth of the business. The Directors regard investment in development as important for success in the medium to long term.

On behalf of the Board

James Ede-Golightly
Non-executive Chairman
3 June 2015
Company Number: 5845469

Directors' Report

The Directors present their report with the Group Financial Statements for the year to 31 December 2014.

Research and Development
A review of the Group's research and development activities is included in the Chairman's Statement on page 3.

Business Risks
A full explanation of the Company's risks and its risk management policies is made in the Strategic Report on page 10.

Future Developments and Company Development Activities
A review of the future developments and Company development activities is included in the Chairman's Statement and the Strategic Report.

Basis of Preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Results and Dividends
The Consolidated Financial Statements have been prepared for the year to 31 December 2014. The loss before tax for the year was £1,037,000 (2013: £1,931,000). The Directors do not recommend a dividend in respect of the year to 31 December 2014 and no dividends were paid during the year under review or the prior year.

Directors and their interests
The Directors who have held office during the year and in the subsequent period to the signing of these financial statements were as follows:

Directors
James Ede-Golightly (appointed 21 July 2014)
Michael Bretherton (appointed 3 June 2015)
Philip Spinks
Dr Peter Rowley (resigned 8 September 2014)
Dr David Bott (resigned 8 September 2014)
Adrian Meldrum (retired 14 July 2014)

Biographies of the Directors can be found on page 4. All Directors who are eligible offer themselves for election at the forthcoming Annual General Meeting. The remuneration for the year under review and beneficial interests of the Directors and persons connected with them in the issued share capital of the Company as at 31 December 2014 are shown in the Directors' Remuneration Report on pages 8 and 9.

On 1 October 2012 the Company issued 2,000,000 new shares at 10 pence each under the Employee Benefit Trust (the "Trust"). The Trust is consolidated in the financial statements and the cost of the shares held by the Trust of £200,000 are offset against Retained Earnings. Shares held by the Trust are treated as issued but excluded when calculating earnings per share. Shares in the Trust were previously held under a Joint Ownership Agreement, however this was forfeited during the year and the shares are now held under Trust for the future benefit of employees. The Trust is treated similarly in the financial statements of the parent company.

Statement as to Disclosure of Information to Auditors
The Directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information (as defined by Section 418(2) of the Companies Act 2006) of which the Company's auditors are unaware, and that each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Third Party Indemnity Provision for Directors
A qualifying third party indemnity provision is in place for the benefit of all Directors of the Company.

Auditors

The auditors, Nexia Smith & Williamson, have indicated their willingness to continue in office and a resolution for their reappointment in accordance with Section 489(1) of the Companies Act 2006 will be proposed at the Annual General Meeting.

Annual General Meeting Notice

The Annual General Meeting of the Company will be held at WH Ireland Limited, 24 Martin Lane, London EC4R 0DR on 30 June 2015 at 11.00 a.m. The notice convening the AGM, together with an explanation of the resolutions to be proposed at the meeting, is contained in the Notice of the Annual General Meeting on pages 45 to 50.

On behalf of the Board

Philip Spinks
Company Secretary
3 June 2015
Company Number: 5845469

Independent Auditor's Report to the Members of Oxford Advanced Surfaces Group plc

We have audited the financial statements of Oxford Advanced Surfaces Group plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 23 and 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Carl Deane (Senior Statutory Auditor)
for and on behalf of Nexia Smith & Williamson,
Statutory Auditor
Chartered Accountants
Portwall Place
Portwall Lane
Bristol BS1 6NA
3 June 2015

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	Notes	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	11	(494)	(969)
Administrative costs	11	(579)	(1,029)
Operating loss		(1,052)	(1,996)
Finance income	9	15	65
Loss before tax		(1,037)	(1,931)
Income tax credit	10	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	20	(51)	–
		(990)	(1,789)
Loss per share attributable to the equity holders of the Company:			
Total and continuing			
– Basic and diluted (pence)	19	(0.50)	(0.91)

The notes on pages 20 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
For the year ended 31 December 2014

	Notes	Year to 2014 £'000	Year to 2013 £'000
Assets			
Non-current assets			
Intangible assets	13	319	316
Plant and equipment	14	86	136
		405	452
Current assets			
Trade and other receivables	15	63	57
Corporation tax recoverable	10	47	140
Cash and cash equivalents	16	2,563	2,760
		2,673	2,957
Liabilities			
Current liabilities			
Trade and other payables	17	113	120
Net current assets		2,560	2,837
Non-current liabilities			
Provisions	17	13	10
Total assets		2,952	3,279
Equity and liabilities			
Shareholders' equity			
Called up share capital	18	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	20	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 equity £'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

	Notes	2014 £'000	2013 £'000
Loss before tax		(1,037)	(1,931)
Depreciation and amortisation charges		112	129
Impairment of intangible assets	13	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	13	(47)	(81)
Purchase of plant and equipment	14	(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	20	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	16	2,563	2,760

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. Summary of significant accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

- Sale of goods Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.
- Development agreements Revenue from joint development agreements is recognised following contractual entitlement. This typically comprises either time based fees, time and materials expended or time and technical milestones achieved, as agreed between the parties.

5. Summary of significant accounting policies continued

Grant funding

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the year necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. Where the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

5. Summary of significant accounting policies continued

Research and development

Research costs are charged against income as they are incurred. Certain development costs are capitalised as intangible assets, when it is probable that future economic benefits will flow to the Group. Such intangible assets are amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit, and are reviewed for impairment at each balance sheet date. Other development costs are charged against income as incurred since the criteria for their recognition as an asset are not met.

The criteria for recognising expenditure as an asset are:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among many other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- That the Group has available to it adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- That the Group can reliably measure the expenditure attributable to the intangible asset during its development.

No development costs have been capitalised as intangible assets to date.

Patents and licenses

Patent costs and licensing rights are amortised over their estimated useful economic life of 20 years.

Plant and equipment

Plant and equipment are stated at cost, net of depreciation and provision for any impairment. Depreciation is calculated to write off the cost of all plant and equipment to estimated residual value on a straight-line basis over their expected useful lives as follows:

- Plant and machinery 4 years
- Office furniture and fittings 4 years
- Computer and IT equipment 3 years

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

5. Summary of significant accounting policies continued

Financial assets and liabilities

- Trade and other receivables Trade and other receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.
- Trade and other payables Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.
- Cash and cash equivalents Cash and cash equivalents comprise cash at hand and short-term deposits of less than three months. The Group's funds are held for the purpose of funding the future growth of the business. Deposits are made with banks and financial institutions with a good credit rating, and such investments are regularly reviewed by the Board.

Leases

Leases in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Shares held by the Employee Benefit Trust

The Employee Benefit Trust ("the Trust") is consolidated in the financial statements and the value of the shares under joint ownership by the Trust are offset against Retained Earnings. Shares held by the Trust are treated as issued but excluded when calculating earnings per share.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets). Share options are valued at the date of grant using either the Black-Scholes Merton model or the Trinomial model, depending on the vesting criteria, and are charged to operating profit over the vesting period of the award with a corresponding credit to the share-based payment reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally. Where an equity-settled award is forfeited, no expense is recognised and any expense recognised up to the date of the forfeiture is reversed through the income statement.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate, share premium.

Changes in accounting policy and disclosure

There have been no changes in accounting policy from those of the previous financial year. None of the new or amended standards that were effective as of 1 January 2014 had any material impact on the Group or the presentation of its financial results.

5. Summary of significant accounting policies continued

New accounting standards and interpretations

The Company has reviewed new and amended standards and interpretations currently in issue but not effective as of 31 December 2014 and determined that none of these new standards and interpretations will have significant impact on reported results.

Amendments to existing standards and new standards which may apply to the Group in future accounting periods include:

		Effective date (periods beginning on or after)	EU adopted
IAS 1	Disclosure Initiative – Amendments	1 January 2016	No
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018	No
IFRS 12	Disclosure of Interests in Other Entities – Amendments	1 January 2016	No
IFRS 15	Revenue from Contracts with Customers	1 January 2017	No
	Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016	No

6. 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 (see note 13).

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 (see note 22).

All share-based payment arrangements granted that had not vested prior to 31 December 2014 are recognised in the Group financial statements.

7. 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.

7. Segmental Reporting continued

2014	Reactive Chemistry £'000	Particle Technologies (suspended) £'000	Corporate unallocated £'000	Year to 31 December 2014 £'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.

2013	Reactive Chemistry £'000	Particle Technologies (suspended) £'000	Corporate unallocated £'000	Year to 31 December 2013 £'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.

8. Employee Benefit Expense

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Salaries and fees	453	864
Social security costs	44	96
Pension costs	13	15
Share-based payment (note 22)	11	39
	521	1,014

The average monthly number of employees of the Group was:

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Directors	4	5
Technical and administrative staff	8	15
	12	20

Directors' emoluments

The following disclosures are in respect of the emoluments paid to the Directors of the Company

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Salaries and fees	113	375
Pension costs	6	7
	119	382
Social security costs	9	44
Share-based payments (note 22)	11	21
Key management personnel remuneration	139	447

The pension contributions were made under a salary sacrifice pension scheme set up for the benefit of the Directors and employees of the Company. Full details of Directors' remuneration, including that of the highest paid Director, Philip Spinks, are shown in the Directors' Remuneration Report.

9. Finance Income

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Bank interest receivable	15	65

10. Income Tax Credit

a) Tax credited in the income statement

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
UK corporation tax credit	(47)	(142)

b) Current tax

The current tax credit in the income statement for the year is detailed below. Current tax credit is lower than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are reconciled below:

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Loss before tax	(1,037)	(1,931)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(223)	(449)
Effects of:		
Expenses not deductible for tax	17	10
Income not taxable	(1)	–
Additional deduction for R&D expenditure	(58)	(164)
Deferred tax not recognised	218	463
Adjustments for prior year	–	(2)
Tax credit	(47)	(142)

Unrelieved tax losses of £6,560,000 at 31 December 2014 (2013: £6,251,000) remain available indefinitely to offset against future taxable trading profits of the companies in which the losses arose. A further £2,882,000 (2013: £2,524,000) relate to non-trade losses of the Company and can only be offset against future non-trade profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

c) Deferred Tax

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Tax losses carried forward	1,888	1,755
Capital allowances	9	(17)
Share-based payments	1	7
Deferred tax assets (unrecognised)	1,898	1,745

d) Change in Corporation Tax rate

The UK corporation tax rate is 21% effective from 1 April 2014 with a further 1% reduction from 1 April 2015 to 20%. At the balance sheet date the corporation tax rate substantially enacted was 20% and therefore deferred tax assets and liabilities have been calculated at this rate.

11. Expenses by Nature

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Employee benefit expense (see note 8)	521	1,014
Depreciation of property, plant and equipment – owned	84	97
Impairment of intangible assets (included in research and development costs)	15	129
Impairment of property, plant and equipment (included in research and development costs)	13	–
Amortisation of intangible assets – patents	29	32
Patent and other IP costs	–	28
Operating leases – offices and laboratories	110	151
Other costs	301	547
	1,073	1,998

12. Auditors' Remuneration

During the year the Company obtained the following services from the Company's auditors.

	Year to 31 December 2014 £'000	Year to 31 December 2013 £'000
Fees payable to the Company's auditors of the parent and consolidated accounts	10	16
– The audit of the Company's subsidiaries pursuant to legislation	8	16
– Tax Services – compliance	6	–

2014 remuneration relates to Nexia Smith & Williamson; 2013 relates to Ernst & Young LLP.

13. Intangible Assets

	Patents & Licenses £'000
Cost	
At 31 December 2012	494
Additions	81
At 31 December 2013	575
Additions	47
At 31 December 2014	622
Amortisation & Impairment	
At 31 December 2012	98
Impairments	129
Amortisation for year	32
At 31 December 2013	259
Impairments	15
Amortisation for year	29
At 31 December 2014	303
Net Book Value	
At 31 December 2014	319
At 31 December 2013	316

The average remaining life of patent families is 12 years. Additions in the year are continued investment in existing patent families and also the costs related to new patent family filings.

Impairments for the year reflect the impact of an unused patent behind the Onto™ technology. For 2013 the impairment fully relates to the suspension of investment in the Particle Technologies segment and the related patents in VISARC™ and novel nanomaterials.

14. Plant and Equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Computer equipment £'000	Totals £'000
Cost				
At 31 December 2012	562	10	78	650
Additions	45	–	2	47
Disposals	(31)	–	(11)	(42)
At 31 December 2013	576	10	69	655
Additions	35	–	11	46
Disposals	(28)	–	(4)	(32)
At 31 December 2014	583	10	76	669
Depreciation				
At 31 December 2012	393	9	57	459
Charge for year	83	–	14	97
Disposals	(27)	–	(10)	(37)
At 31 December 2013	449	9	61	519
Charge for year	75	–	8	83
Disposals	(28)	–	(4)	(32)
Impairment	13	–	–	13
At 31 December 2014	509	9	65	583
Net Book Value				
At 31 December 2014	74	1	11	86
At 31 December 2013	127	1	8	136

15. Trade and other Receivables

	31 December 2014 £'000	31 December 2013 £'000
Current:		
Trade receivables	9	–
Interest receivable	1	2
Accrued income	23	–
VAT receivable	14	27
Prepayments	16	28
	63	57

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. There was no provision for impairment at 31 December 2014 or 31 December 2013 and all trade receivables are not past due.

16. Cash and Cash Equivalents

	31 December 2014 £'000	31 December 2013 £'000
Cash at bank and in hand	2,563	2,760

17. Trade and other Payables

	31 December 2014 £'000	31 December 2013 £'000
Current:		
Trade payables	9	29
Social security and other taxes	14	13
Accrued expenses	90	78
	113	120
Non-current:		
Dilapidation provisions	13	10

The Directors consider that the carrying amounts of trade and other payables approximates to their fair values. Dilapidation provisions relate to anticipated costs related to short-term leases on laboratories and offices to return them to their pre-lease condition. The increase in the year to 31 December 2014 relates to the costs of a new fit-out of a laboratory.

18. Called-up Share Capital

	31 December 2014 Number	31 December 2013 Number	31 December 2014 £'000	31 December 2013 £'000
Allotted, called up and fully paid	197,740,641	197,740,641	1,977	1,977

19. 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. The number of ordinary shares excludes the 2,000,000 shares held in the Employee Benefit Trust. 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.

	Year to 31 December 2014	Year to 31 December 2013
Loss attributable to equity holders of the Group (£'000)	(990)	(1,789)
Weighted average number of ordinary shares in issue	195,740,641	195,740,641
Basic & diluted loss per share (pence)	(0.50)	(0.91)

20. Reserves

Details of the movements in reserves are set out in the Statement of Changes in Equity. A description of each reserve is set out below.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium.

Merger Reserve

The merger reserve arose under section 131 of the Companies Act 1985 on the shares issued by the Company to acquire Oxford Energy Technologies Limited and Oxford Advanced Surfaces Limited and is still applicable under the Companies Act 2006.

Reverse acquisition reserve

The reverse acquisition reserve relates to the reverse acquisition of Oxford Advanced Surfaces Group plc (formerly Kanyon plc) and Oxford Energy technologies Limited (formerly Solar Labs plc) by Oxford Advanced Surfaces Limited.

Share-based payment reserve

This reserve relates to the fair value of the options granted which has been charged to the income statement over the vesting period of the options.

Non-controlling interests

On 8 September 2014, the Group disposed of a non-controlling interest in Oxford Advanced Surfaces Limited (OASL) by allowing third party organisations to invest in new shares issued by that company. Oxford Advanced Surfaces Limited issued 901,698 shares at £1 each of which 250,000 were acquired by the parent and 651,698 were acquired by third party organisations. Of the total shares in issue of 2,901,698 the third party minorities represent 22.5% of the issued share capital of that company.

At the date of the transaction the net assets of OASL were £1,352,000 and the minority interest reflected in reserves was £304,000 (22.5% of net assets). The difference between the assets acquired by third parties and the sum paid of £652,000 was taken to the retained earnings.

21. Financial Risk Management

Objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies, as laid out in the Strategic Report. The following information lays out the exposure the Group has from financial instruments.

Capital risk management

The Group's capital is comprised of issued ordinary shares of 1 penny per share and reserves. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders. This is achieved through careful investment of surplus cash and tight budgetary control.

Significant accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 4 in the financial statements.

21. Financial Risk Management continued

Categories of financial instrument

Financial assets	31 December 2014 £'000	31 December 2013 £'000
Loans and other receivables (including cash and cash equivalents)	2,596	2,762

Financial assets maturity – 2014	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	Total £'000
Cash at bank and in hand	2,563	–	–	2,563
Trade and other receivables	–	33	–	33
	2,563	33	–	2,596

Financial assets maturity – 2013	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	Total £'000
Cash at bank and in hand	2,760	–	–	2,760
Trade and other receivables	–	2	–	2
	2,760	2	–	2,762

Financial liabilities at amortised cost	31 December 2014 £'000	31 December 2013 £'000
Trade and other payables	99	107

All financial liabilities for both the Group and the Company are payable on demand, apart for the dilapidation provisions in the Group of £13,000 (2013: £10,000) which are due between 1 and 5 years. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables. There were no out of term financial assets or liabilities. Currently the Group does not undertake any material transactions denominated in foreign currencies.

Liquidity risk

The Group does not consider that it carries any significant liquidity risk at the present time.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. For banks and financial institutions only independently rated parties with a strong credit rating are used. For credit exposures to customers the Group assesses the likelihood of payment from various factors including external credit ratings, financial records and other relevant factors.

Interest Rate Sensitivity

The interest rate sensitivity of the consolidated loss for the year and equity to a reasonably possible change in interest rates of 1% with effect from the beginning of the year is illustrated below. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's cash and cash equivalents held at the balance sheet date. All other variables are held constant. Note that the impact of a fall in rates for 2014 is limited to the amount of interest earned during the year.

	31 December 2014		31 December 2013	
Interest Rate Sensitivity	+1% £'000	-1% £'000	+1% £'000	-1% £'000
Loss for year	26	(15)	28	(28)
Equity	26	(15)	28	(28)

22. Share-based payments

Equity-settled share option schemes

The Group has two schemes in operation at 31 December 2014; an equity settled EMI/Unapproved Group Option Scheme and an Employee Benefit Trust.

EMI/Unapproved Group Option Scheme

The EMI/Unapproved Scheme covers all employees for the Group. Options are exercisable at a price as agreed in the option documentation, which is typically the mid-market price the day before the day of issue of the option award.

	2014		2013	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
At beginning of the year	4,158,219	8.16	6,711,349	9.14
Granted during the year	–	–	1,610,000	10.00
Forfeited	(850,000)	10.00	(3,900,000)	10.00
Cancelled	–	–	(263,130)	17.03
At end of the year	3,308,219	7.69	4,158,219	8.16

No new options were issued during 2014. In January 2013 the Group issued 1,610,000 new options to employees. These options replaced 263,130 existing options issued to staff, which were duly cancelled. The new options are exercisable in one third tranches in one, two and three years from issue where the share price equals or exceeds 15 pence, 20 pence and 25 pence respectively, for a continuous period of at least 22 business days.

For all current options there are, in addition to continuation of service, performance criteria relating to the achievement of share price targets ranging from 15.0 pence to 30.0 pence over the coming 1 to 5 years. Of the 3,308,219 options outstanding at 31 December 2014, 2,076,552 were exercisable (2013: 1,798,219). The weighted average price of the exercisable shares was 6.32 pence (2013: 5.75 pence). Share options outstanding at the end of the year have the following expiry dates and exercise prices:

		2014		2013	
Year of expiry	Range of exercise price pence	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
2017	1.00	848,219	1.00	848,219	1.00
2022	10.00	2,000,000	10.00	2,400,000	10.00
2023	10.00	460,000	10.00	910,000	10.00
		3,308,219	7.69	4,158,219	8.16

The total expense arising in the year for share-based payment transactions is £11,000 (2013: £39,000). The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 6.1 years (2013: 7.9 years). The fair value of the options issued during the year was £nil (2013: £37,000).

22. Share-based payments continued

Employee Benefit Trust (EBT)

The Group operates a jointly owned EBT share scheme for senior management under which the trustee of the Group-sponsored EBT has acquired shares in the Company jointly with a number of employees. The shares were acquired pursuant to certain conditions set out in Jointly Ownership Agreements (JOAs). Subject to meeting the performance criteria conditions set out in the JOA, the employees are able to exercise an option to acquire the trustee's interests in the jointly owned EBT shares at the option price. The jointly owned EBT shares issued on 1 October 2012 have now been forfeited and the shares remain in the trust for the future benefit of employees.

	2014		2013	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
At beginning of the year	–	–	2,000,000	10.00
Forfeited during the year	–	–	(2,000,000)	10.00
At end of the year	–	–	–	–

The total expense arising in the year for share-based payment transactions under the EBT is £nil (2013: £nil).

The following table lists the inputs to the models used for the years ended 31 December 2014 and 31 December 2013 for both the EMI/Unapproved Group Option Scheme and the Employee Benefit Trust.

	Performance linked grants		Non-performance linked grants	
	2014	2013	2014	2013
Expected volatility (%)	–	50.0%	–	–
Risk-free interest rate (%)	–	0.3% – 2.2%	–	–
Expected dividends	–	nil	–	–
Expected vesting multiple (of performance target price)	–	1.0	–	–
Weighted average exercise price (pence)	–	10.00p	–	–
Model used	–	Trinomial	–	–

The volatility of 50% is based on the median volatility percentage of comparable companies in the chemistry industry sector and determined following a benchmarking exercise of companies deemed to be comparable (i.e. companies in the chemical industry sector listed on AIM and for companies who were less established (incorporated within the last 10 years) and based in the UK). The Directors are of the belief that using market-based volatilities for any options is a more accurate measure to calculate the fair value as the Group's share price has suffered from unusual volatility due to issues such as liquidity and its stage of development.

Equity settled fundraising costs

During 2008, 230,868 warrants were issued to Novum Securities Limited in consideration for services performed in respect of the funding round in August 2008. These warrants were vestable immediately on issue and expired on 31 July 2013 without being exercised. The total fair value of the warrants granted was included in the financial statements to 31 December 2008 and amounted to £42,000. The cost was offset against the share premium account as a cost related to the issue of new ordinary shares.

23. Related Parties and Directors' Transactions

Group

During the year under review Dr Mark Moloney, who is a significant shareholder, received fees for participating in the Scientific Advisory Board for the Group. This amounted to £1,200 (2013: £1,200). There were no amounts due at the end of either year.

Dr David Bott received fees for his services as a Non-executive Director through a service company, EotR Solutions Limited, for which he is the ultimate owner, amounting to £8,000 (2013: £12,000). In addition he received fees for consultancy work during the year amounting to £11,500 (2013: £nil). There were no amounts due at the end of the year (2013: £1,000).

Company

OASG acted as an intermediary due to its position as the provider of financial support to the subsidiaries of the Group. At the year-end interest free loans of £nil (2013: £3,575,000) to Oxford Advanced Surfaces Limited were outstanding.

Key employees

At the year end the Board did not consider any employees to be key to the Group other than the Directors. The remuneration of the key employees is disclosed in note 8.

24. Ultimate Controlling Party

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

Company Statement of Financial Position
For the year ended 31 December 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000
Assets			
Non-current assets			
Investments	4	2,267	18
Plant and equipment	6	2	4
Loan to subsidiaries	7	–	3,575
		2,269	3,597
Current assets			
Trade and other receivables	7	9	32
Short-term investments and cash and equivalents	8	1,848	2,739
		1,857	2,771
Liabilities			
Current liabilities			
Trade and other payables	9	29	45
Net current assets		1,828	2,726
Net assets		4,097	6,323
Shareholders' equity			
Called-up share capital	10	1,977	1,977
Share premium		10,603	10,603
Retained earnings		(8,802)	(6,565)
Share-based payment reserve		319	308
Total equity attributable to equity holders of the Company		4,097	6,323

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

Company Statement of Changes in Equity
For the year ended 31 December 2014

	Share equity £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Share-based payment reserve £'000	Total equity £'000
Balance at 1 January 2013	1,977	10,603	18,669	(1,807)	278	29,720
Total comprehensive loss for the year to 31 December 2013	–	–	–	(23,425)	–	(23,425)
Transfers between reserves of impairment in subsidiaries	–	–	(18,669)	18,669	–	–
Employee benefit trust	–	–	–	(2)	–	(2)
Transfer of share-based payment charges on cancellation of options – subsidiary companies	–	–	–	–	(9)	(9)
Share-based payments	–	–	–	–	39	39
Balance at 31 December 2013	1,977	10,603	–	(6,565)	308	6,323
Total comprehensive loss for the year to December 2014	–	–	–	(2,237)	–	(2,237)
Share-based payments	–	–	–	–	11	11
Balance at 31 December 2014	1,977	10,603	–	(8,802)	319	4,097

Company Statement of Cash Flows
For the year ended 31 December 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000
Loss before tax		(2,237)	(23,425)
Depreciation and amortisation charges		2	2
Waiver of intercompany loan	7	2,080	2,239
(Reversal of impairment)/impairment of investments in subsidiaries	4	(231)	20,458
Share-based payment expense		12	23
Finance Income		(15)	(65)
		(389)	(768)
Decrease in trade and other receivables		22	2
Increase in trade and other payables		(16)	(17)
Cash outflow from operations and operating activities		(383)	(783)
Cash flow from investing activities			
Purchase of plant and equipment	6	–	(3)
Decrease in short-term investments		–	3,680
Investment in subsidiary undertakings		(250)	–
Interest received		16	138
Net cash (outflow)/inflow from investing activities		(234)	3,815
Net cash from financing activities			
Funds repaid on forfeiture of EBT jointly owned shares		–	(2)
Outflow from loan to subsidiaries		(274)	(880)
Net cash outflow from financing activities		(274)	(882)
(Decrease)/increase in cash and cash equivalents		(891)	2,150
Cash and cash equivalents at beginning of year		2,739	589
Cash and cash equivalents at end of year	8	1,848	2,739

1. Basis of preparation

The 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 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 Company's functional currency 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company financial statements are disclosed in note 3. The accounting policies adopted are consistent with those followed in the preparation of the Company'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 Company. A summary of the more important accounting policies which have been applied consistently throughout the year are set out below.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent Company's loss for the year to 31 December 2014 was £2,237,000 (2013: £23,425,000).

2. Summary of significant accounting policies

Investments in subsidiaries

In the Company's balance sheet investments in subsidiaries are recorded at cost less any provision for impairment. Investments are recognised as an asset and reviewed for impairment if and when indicators of impairment arise and at least annually. Any impairment or reversal of impairment is recognised immediately in the income statement.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Shares held by the Employee Benefit Trust

The Employee Benefit Trust ("the Trust") is consolidated in the financial statements and the value of the shares under joint ownership by the Trust are offset against Retained Earnings. Shares held by the Trust are treated as issued but excluded when calculating earnings per share.

Share-based payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In addition equity settled share options are also issued to employees of the subsidiary companies, Oxford Advanced Surfaces Limited and Oxford Energy Technologies Limited. The share-based payment charges or credits from these options are charged or credited to investments in subsidiaries.

2. Summary of significant accounting policies continued

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

Share options are valued at the date of grant using either the Black–Scholes Merton model or the Trinomial model, depending on the vesting criteria, and are charged to operating profit over the vesting period of the award with a corresponding credit to the share-based payment reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally. Where an equity-settled award is forfeited, no expense is recognised and any expense recognised up to the date of the forfeiture is reversed through the income statement.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate, share premium.

Changes in accounting policy and disclosure

There have been no changes in accounting policy from those of the previous financial year. None of the new or amended standards that were effective as of 1 January 2014 had any material impact on the Group or the presentation of its financial results (see Group financial statements note 5).

3. 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 Company tests tangible and intangible assets with definite lives for impairment if and when indicators of impairment arise. Where such an indication exists the Company estimates the fair value less costs to sell off assets or subsidiaries 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 Company financial statements.

4. Investments in Subsidiaries

	Shares in subsidiary undertakings £'000
Cost	
At 31 December 2012	24,314
Additions	16
Disposals	(9)
At 31 December 2013	24,321
Additions	2,087
Disposals	(4,434)
At 31 December 2014	**21,974**
Impairment	
At 31 December 2012	(3,845)
Impairments	(20,458)
At 31 December 2013	(24,303)
Reversal of impairments	231
Disposals	4,365
At 31 December 2014	**(19,707)**
Net book value	
At 31 December 2014	**2,267**
At 31 December 2013	18

Additions to investments in subsidiaries represent:

a) the IFRS 2 share-based payments charge for share options granted to the employees of the Group's subsidiaries, Oxford Advanced Surfaces Limited (OASL) and Oxford Energy Technologies Limited (OET); and

b) the conversion to shares of loans issued to OAS of £1,770,000, the share for share exchange on the acquisition of OET by OASL of £67,000 and a cash investment of £250,000 in the new shares issued by OASL.

Disposals to investments in subsidiaries represent:

a) the reversal of any charge on forfeiture or cancellation of the underlying options; and

b) the transfer of the Company's investment in OET to OAS.

On 9 September OASL raised additional capital through the issue of new shares which reduced the ownership of OASL by the Company to 77.54%. Prior to completion of the transaction, the loan between the Company and OASL, which stood at £3,911,000, was partly converted to equity of £1,770,000 and the balance of £2,141,000 was irrevocably waived. In addition the Company's investment in OET was transferred to OASL in exchange for shares at its book value of £67,535. Following this the Company held 2 million shares in OASL, representing 100% of the issued share capital. 901,698 new ordinary shares in OASL were issued at a price of £1 per share, of which the Company took 250,000.

As part of the investment a shareholders' agreement was established outlining the responsibilities of the investors, and establishing a separate Board for the subsidiary. The Company retains a controlling interest in OASL.

In the prior year, there was fundamental repositioning driven by a strategic review which concluded that further investment in the VISARC™ antireflection coating technology would be suspended due to market and competitive changes. As a result the Board undertook a full impairment review of the carrying investment in OET, our particle technologies business, resulting in a full impairment of the investment. This impairment was reflected in the results for the year to 31 December 2013. As part of the group restructuring in September 2014 this impairment was reviewed and was partly reversed prior to a transfer of the shares in OET to OAS – the reversal of the impairment represented the fair value of the net assets of OET at the date of transfer. The know-how which underpinned VISARC™ and the intellectual property portfolio we have established for this technology was available for purchase, but we did not find a buyer and in April 2015 the key patent was allowed to lapse.

4. Investments in Subsidiaries continued

Following the requirements of IAS 36 the Board took the view in 2013 that the investment in OAS should be impaired, subject to an ongoing review of the conditions triggering this impairment. This transaction had no impact on the Consolidated Financial Statements, the cash position or the Board's assessment of going concern for the Group or Company. During the restructuring in September 2014 the Board placed a value on OAS of £2,000,000. After the issue of new shares to the Company by OAS in return for the waiver of the inter-company loan, the balance was treated as a part reversal of the impairment in 2013.

Details of the Company's subsidiaries are as follows:

Name of Company	Holding	% of shares held	Nature of business
Oxford Advanced Surfaces Limited (incorporated in England & Wales)	Ordinary	77.5	Development and commercialisation of advanced materials technologies
Oxford Energy Technologies Limited (incorporated in England & Wales)	Ordinary	77.5 (indirectly through Oxford Advanced Surfaces Limited)	Development and commercialisation of advanced materials technologies
OXACO Limited (incorporated in England & Wales)	Ordinary	100	Dormant

The place of business for all subsidiaries is the United Kingdom.

5. Deferred Tax

Unrecognised deferred tax assets at 20% (2013: 20%).

	31 December 2014 £'000	31 December 2013 £'000
Tax losses carried forward	576	505
Share-based payments	1	7
Deferred tax assets (unrecognised)	577	512

The UK corporation tax rate is 21% effective from 1 April 2014 with a further 1% reduction from 1 April 2015 to 20%. At the balance sheet date the corporation tax rate substantially enacted was 20% and therefore deferred tax assets and liabilities have been calculated at this rate.

6. Plant and Equipment

	Fixtures & Fittings £'000	Computer equipment £'000	Totals £'000
Cost			
At 31 December 2012	–	8	8
Additions	1	2	3
At 31 December 2013	1	10	11
Additions	–	–	–
At 31 December 2014	1	10	11
Depreciation			
At 31 December 2012	–	5	5
Charge for year	–	2	2
At 31 December 2013	–	7	7
Charge for year	–	2	2
At 31 December 2014	–	9	9
Net Book Value			
At 31 December 2014	1	1	2
At 31 December 2013	1	3	4

7. Trade Debtors and other Receivables

	31 December 2014 £'000	31 December 2013 £'000
Current:		
Trade receivable	1	–
Interest receivable	1	2
VAT receivable	–	6
Prepayments	7	24
	9	32
Non-current:		
Loans to subsidiaries	–	3,575

The loans to subsidiaries were interest free. The Board classified these loan commitments as greater than one year. The loan to Oxford Energy Technologies' Limited (OET) was permanently waived following the strategic review in August 2013. The loan to Oxford Advanced Surfaces Limited was partially waived in September 2014 and the balance of the loan was then extinguished through the issue of shares by Oxford Advanced Surfaces Limited in settlement. The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. There was no provision for impairment at 31 December 2014 or 2013 and all trade receivables are not past due.

8. Cash and Cash Equivalents

	31 December 2014 £'000	31 December 2013 £'000
Cash at bank and in hand	1,848	2,739

9. Trade and other Payables

	31 December 2014 £'000	31 December 2013 £'000
Current:		
Trade payables	1	8
Social security and other taxes	1	7
Accrued expenses	27	30
	29	45

The Directors consider that the carrying amounts of trade and other payables approximates to their fair values.

10. Called-up Share Capital

	31 December 2014 Number	31 December 2013 Number	31 December 2014 £'000	31 December 2013 £'000
Allotted, called up and fully paid	197,740,641	197,740,641	1,977	1,977

11. Share-based payments

Equity-settled share option schemes

The Company has two schemes in operation at 31 December 2014; an equity settled EMI/Unapproved Group Option Scheme and an Employee Benefit Trust.

EMI/Unapproved Group Option Scheme

The EMI/Unapproved Scheme covers all employees for the Company. Options are exercisable at a price as agreed in the option documentation, which is typically the mid-market price the day before the day of issue of the option award.

	2014		2013	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
At beginning of the year	3,058,219	7.50	5,648,219	8.65
Granted during the year	–	–	210,000	10.00
Forfeited	(400,000)	10.00	(2,800,000)	10.00
At end of the year	2,658,219	7.13	3,058,219	7.50

For all current options there are, in addition to continuation of service, performance criteria relating to the achievement of share price targets ranging from 15.0 pence to 30.0 pence over the coming 1 to 5 years. Of the 2,658,219 options outstanding at 31 December 2014, 1,698,219 were exercisable (2013: 1,648,219). The weighted average price of the exercisable shares was 5.50 pence (2013: 5.37 pence). Share options outstanding at the end of the year have the following expiry dates and exercise prices:

		2014		2013	
Year of expiry	Range of exercise price pence	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
2017	1.00	848,219	1.00	848,219	1.00
2022	10.00	1,600,000	10.00	2,000,000	10.00
2023	10.00	210,000	10.00	210,000	10.00
		2,658,219	7.13	3,058,219	7.50

The total expense arising in the year for share-based payment transactions is £12,000 (2013: £23,000). The fair value of the options issued during the year was £nil (2013: £5,000).

All other disclosures related to the equity-settled share option schemes (including the Employee Benefit Trust) are included in note 22 of the Group financial statements.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("Meeting") of **Oxford Advanced Surfaces Group plc** (the "Company") will be held at WH Ireland, 24 Martin Lane, London, EC4R 0DR on 30 June 2015 at 11.00 a.m. You will be asked to consider and vote on the resolutions below. Resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions.

Ordinary business

1. **Report and accounts**
   To receive and adopt the Company's annual accounts for the financial year ended 31 December 2014 together with the Directors' Report and Independent Auditor's report on those accounts.

2. **Re-election of a Director**
   To re-elect as a Director James Ede-Golightly who retires in accordance with Article 123 of the Company's Articles of Association and is eligible for re-election.

3. **Re-election of a Director**
   To re-elect as a Director Michael Bretherton who retires in accordance with Article 123 of the Company's Articles of Association and is eligible for re-election.

4. **Re-election of a Director**
   To re-elect as a Director Philip Spinks who retires in accordance with Article 122 of the Company's Articles of Association and is eligible for re-election.

5. **Re-appointment of auditors**
   To re-appoint Nexia Smith & Williamson as the auditors of the Company, to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting, and to authorise the Directors to determine their remuneration.

Special business

6. **Directors' authority to allot shares**

   6.1 That the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to exercise all the powers of the Company to allot and make offers to allot Relevant Securities (as defined below):

   6.1.1 comprising equity securities (as defined by section 560 of the 2006 Act) up to an aggregate nominal amount of £1,305,088.23 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 6.1.2 below) in connection with an offer by way of a rights issue:

   (i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

   (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   6.1.2 in any other case, up to an aggregate nominal amount of £652,544.12 (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph 6.1.1 above in excess of £652,544.12), provided that (unless previously revoked, varied or renewed) this authority shall expire 15 months from the date of passing this resolution, or, if earlier, the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution save that the Company may before such expiry make an offer or enter into an agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

   6.2 This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

6.3 For the purposes of this resolution, a "Relevant Security" is:

6.3.1 a share in the Company other than a share allotted pursuant to:

(i) an employee share scheme (as defined by section 1166 of the 2006 Act);

(ii) a right to subscribe for a share or shares in the Company where the grant of the right itself constituted a Relevant Security under paragraph 6.3.2 below; or

(iii) a right to convert securities into a share or shares in the Company where the grant of the right itself constituted a Relevant Security under paragraph 6.3.2 below.

6.3.2 any right to subscribe for or to convert any security into a share or shares in the Company other than a right to subscribe for or convert any security into a share or shares allotted pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act).

6.4 References to the allotment of "Relevant Securities" in this resolution shall be construed accordingly.

7. To disapply statutory pre-emption rights

7.1 That subject to the passing of resolution 6 above, the Directors of the Company be authorised and empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined by section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by resolution 6 or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that such power is limited to:

7.1.1 the allotment of equity securities in connection with an offer by way of a rights issue:

(i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(i) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

7.1.2 the allotment of equity securities (otherwise than pursuant to paragraph 7.1.1 above) up to a maximum aggregate nominal amount of £296,610.96.

7.2 This authority shall expire 15 months from the date of passing this resolution, or, if earlier, the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution, provided that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

7.3 This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of equity securities already made, offered or agreed to be made pursuant to such authorities.

8. Change of name

To change the name of the Company to OXACO Plc.

By Order of the Board

Philip Spinks
Company Secretary
3 June 2015

Oxford Advanced Surfaces Group plc
Centre for Innovation & Enterprise
Begbroke Science Park
Woodstock Road, Begbroke Hill
Begbroke OX5 1PF

Notes:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the Meeting, only those members registered in the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting (or, in the event of any adjournment, on the date which is two days prior to the time of the adjourned meeting).

Appointment of proxies

2. A member entitled to attend and vote at the Meeting shall be entitled to appoint a proxy (or proxies) to exercise all or any of their rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share(s) held by the member. To appoint more than one proxy you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. A proxy form which may be used to make this appointment and give proxy instructions accompanies this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

4. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person, in which case any votes cast by the proxy will be excluded and your proxy appointment will automatically be terminated.

5. A proxy does not need to be a member of the Company but must attend the Meeting to represent the member. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:

   - Completed and signed;
   - Sent or delivered to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and
   - Received by Computershare Investor Services PLC not less than 48 hours before the time for the holding of the Meeting or adjourned meeting together (except in the case of appointments made electronically) with any authority (or a certified copy of such authority) under which it is signed.

   CREST members should use the CREST electronic proxy appointment service and refer to note 8 below in relation to the submission of a proxy appointment via CREST.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Electronic appointment of proxies

8. As an alternative to completing the hard-copy proxy form, CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: 3RA50) not less than 48 hours before the time for the holding of the Meeting or adjourned meeting together with the relevant authority (if required). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY to be received by no later than 48 hours before the time for the holding of the Meeting.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:

    12.1 if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

    12.2 if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

    Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (a) above.

Issued shares and total voting rights

13. As at 6.00pm on 2 June 2015 (the latest practicable date prior to publication of this notice), the Company's issued share capital comprised 197,740,641 ordinary shares of 1 penny each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00pm on 2 June 2015 is 197,740,641.

Communication

14. Except as provided above, members who have general queries about the meeting should call the Computershare shareholder helpline on 0870 873 5844 or, if calling from outside the UK on +44 870 873 5844. The helpline is available between the hours of 8.30am and 5.30pm Monday to Friday excluding public holidays.

Explanatory notes to the Notice of the Annual General Meeting

Resolutions 1 to 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 7 and 8 are proposed as a special resolution. This means that for these resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 1 – Report and Accounts

To receive the Annual Report and Accounts for the year ended 31 December 2014.

Resolutions 2, 3 and 4 – Reappointment of Directors

These resolutions deal with the reappointment of James Ede-Golightly, Michael Bretherton and Philip Spinks, each of whom are retiring as Directors in accordance with the Articles of Association and being eligible, offer themselves for re-election as Directors of the Company.

Resolution 5 – Reappointment of Auditors

Resolution 5 relates to the reappointment of Nexia Smith & Williamson as the Company's auditors to hold office until the next AGM of the Company and to authorise the Directors to set their remuneration.

Resolution 6 – Allotment of share capital

Resolution 6 deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the Companies Act 2006.

In December 2008, the Association of British Insurers ("ABI") revised its guidelines on Directors' authority to allot shares (in line with the recommendations of the report issued in November 2008 by the Rights Issue Review Group). The ABI's guidelines previously stated that the Directors' general authority to allot shares should be limited to an amount equal to one-third of the Company's issued share capital. The new guidelines state that ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of the Company's issued share capital. The guidelines provide that the extra routine authority (that is, the authority to allot shares representing the additional one-third of the Company's issued share capital) can only be used to allot shares pursuant to a fully pre-emptive rights issue. In light of these revised guidelines, the Board considers it appropriate that Directors be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £1,305,088.23, representing the guideline limit of approximately 66% of the Company's issued ordinary share capital (excluding treasury shares) as at 2 June 2015 (the latest practicable date prior to publication of this notice). Of this amount, shares up to a nominal amount of £652,544.12, representing approximately 33% of the Company's issued ordinary share capital (excluding treasury shares) can only be allotted pursuant to a rights issue. The power will last until the conclusion of the next AGM in 2016.

Resolution 7 – Disapplication of statutory pre-emption rights

Resolution 7 will give Directors authority to allot shares in the capital of the Company pursuant to the authority granted under Resolution 6 above for cash without complying with the pre-emption rights in the 2006 Act in certain circumstances. In the light of the new ABI guidelines described in relation to Resolution 6 above, this authority will permit the Directors to allot:

(a) shares up to a nominal amount of £1,305,088.23 (representing two-thirds of the Company's issued ordinary share capital) on an offer to existing shareholders on a pre-emptive basis. However unless the shares are allotted pursuant to a rights issue (rather than an open offer), the Directors may only allot shares up to a nominal amount of £652,544.12 (representing one-third of the Company's issued share capital) (in each case subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors see fit); and

(b) shares up to a maximum nominal value of £296,610.96, representing approximately 15% of the issued ordinary share capital of the Company as at 2 June 2015 (the latest practicable date prior to publication of this notice) otherwise than in connection with an offer to existing shareholders.

Resolution 8 – Change of name

Resolution 8 relates to the change of name of Oxford Advanced Surfaces Group plc to OXACO plc.

Directors and Advisors

Directors
James Ede-Golightly
(Chairman)

Michael Bretherton
(Director)

Philip Spinks
(Director)

Company Secretary
Philip Spinks

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

Broker & Nominated Advisor
WH Ireland Limited
4 Colston Avenue
Bristol BS1 4ST

Auditor
Nexia Smith & Wiliamson
Chartered Accountants
Portwall Place
Portwall Lane
Bristol BS1 6NA

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

Company Number
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