RNS Number : 1389N
Oxford Advanced Surfaces Group PLC
26 September 2012

OXFORD ADVANCED SURFACES GROUP PLC
(AIM: OXA)

Half Year Results for the Period Ended 30 June 2012

The Board of Oxford Advanced Surfaces Group Plc ("OAS" or "the Company"), the AIM listed technology developer targeting a number of global markets including eyewear, displays, solar panels and the electronics market, announces half year results for the period ended 30 June 2012.

CORPORATE HIGHLIGHTS

- Signature of significant development agreement with major global company to commercialise OAS' VISARC™ technology.
- Excellent progress in the scale-up of the key nanoparticle for VISARC™ applications.
- Continued good progress in Onto™ technology development following earlier customer trials.
- Appointment of new Chief Executive Officer, Adrian Meldrum, starting on 1 October 2012.

Contacts:

Oxford Advances Surfaces Group Plc	*www.oxfordsurfaces.com*
Philip Spinks, Chief Financial Officer	T: 01865 854 807
W H Ireland Limited	*www.wh-ireland.co.uk*
John Wakefield / Marc Davies	T: 0117 945 3471
Lothbury Financial Services	T: 020 7868 2010
Gary Middleton / Michael Padley	

CHAIRMAN'S STATEMENT

Oxford Advanced Surfaces Group plc (OAS) continues to make solid progress on the route to commercialisation. The first half of the year has seen significant progress in our commercial endeavours resulting in our first VISARC™ joint development agreement, scale-up of our key nanoparticle and shortly thereafter the announcement of our new Chief Executive Officer.

Business Development

We recently announced our first major development agreement using our VISARC™ anti-reflective coating technology and further similar development programmes are in the pipeline. In addition we have made significant progress in developing the silica nanoparticle behind the VISARC™ technology for mass production. Our final scale manufacturing trial runs should be complete in Q4 2012 and shortly after that we will be in a position to supply the nanoparticle for initial screen formulations. Further nanoparticle variants for additional substrates will be made available throughout 2013.

The Onto™ technology progresses well and the focus on adhesion promotion continues to bring technical reward. Following the earlier success of the Onto™ field trial in January 2012 we have further advanced work with key partners to explore markets and applications for this technology.

In August we were pleased to be able to announce the appointment of our new Chief Executive Officer, Adrian Meldrum. He brings with him a wealth of experience from key roles within companies such as IQE plc and Bookham Incorporated (now Oclaro Inc.). Adrian joins us on 1 October.

Technology

VISARC™ AR coatings & MPS nanoparticles

An anti-reflective coating (ARC) is a thin film of material that is processed onto a substrate in order to reduce its reflection of incident light significantly. Typical glass and polymer substrates reflect a fair proportion of the light falling directly on them, with the reflectance increasing as the viewing angle increases. An untreated glass substrate reflects around 9-10% of the light that hits it.

VISARC™ delivers high performance, broadband anti-reflective coatings with a single layer wet-coat application. The coatings comprise OAS' proprietary silica nanoparticles immobilised in a binder which is chosen for its compatibility to the particular substrate of interest, along with other qualities, such as hardness. The formulations can be processed using common wet chemistry techniques such as spin, dip and roll-to-roll coating. VISARC™ can be customised for use on a wide range of rigid and flexible substrates.

There is a strong existing market for applications as diverse as eliminating reflections from the myriad display screens that form part of modern life, reducing reflections from ophthalmic coatings to abate eyestrain and increasing the transmission of light into solar cells to increase efficiency.

• Displays

The LCD displays market was an early adopter of wet-process ARCs for televisions; the market has now expanded into laptops and mobile devices are close behind. The introduction of touch-screens has significantly challenged the optical properties of all substrates used in the development of mobile display technologies. This has resulted in increased demand for an effective ARC on different substrates including glass, polyethylene terephthalate and polymethyl methacrylate, which is often used as a lightweight and shatter-resistant alternative to glass.

OAS can offer a competitive solution with improved performance that targets this evolving and growing displays market. Existing market leading technologies have demonstrated a typical performance of 1.0% reflection. VISARC™ has demonstrated that reflection can be reduced to as little as 0.3% whilst maintaining other performance properties - a significant improvement on the current market leader.

• Ophthalmic

Commercially available anti-reflective coatings in ophthalmic applications typically use expensive batch processing vapour deposition techniques which are applied to lenses at central hubs or at the lens manufacturer. This results in long lead times delivering a final product to the customer. VISARC™ offers the potential of a "24-hour" in-house solution that would create a significant benefit to the current supply-chain limitations of ARC in the ophthalmic world.

• Solar

Finally VISARC™ technology is being considered for solar applications, as solar continues to provide an abundant and attractive alternative to nuclear and other energy generation forms. Improvements to the efficiency and performance of solar panels using an ARC have long been sought after. VISARC™ can be applied internally to photovoltaic cells or to the complete assembly (the panel), where the surface is in contact with the external elements. Wet coat single layer ARCs provide an economic solution in this market. OAS is actively pursuing opportunities in the solar space in our business development considerations.

OAS has developed significant skills in nanoparticles - from particle design and development through to applications and scale manufacture. As VISARC™ progresses through to commercialisation OAS will utilise these skills to develop further applications for the existing particle and the development of new particles for identified key applications within the development pipeline.

Onto™ Chemistry

Onto™ is a highly reactive chemistry proprietary to OAS. Under certain processing conditions the product reacts with almost any type of surface to form a permanently bonded layer, allowing tailored functionality to be applied to the surface. Whilst it will bond with most types of substrate, we believe it provides the most compelling, cost-effective benefits with organic polymers, where currently commercially available alternative technologies are less effective. Onto™ can be used in many application areas, including surface functionalisation, such as wetting, through to advanced materials development, adhesion and adhesion promotion.

Onto™ is processed from solution using standard wet chemical processes such as spin, roll-to-roll and dip coating and is typically cured using heat or UV irradiation. It is manufacturing friendly, allowing simple integration into existing processes. All Onto™ species contain one or more reactive heads which are capable of forming strong chemical bonds with most materials. OAS has developed two types of Onto™ species - Onto™ SM (single molecule, single reactive head with tailored functional tails) and Onto™ XL (cross-linker with multiple reactive heads).

OAS is currently focussing attention on the Onto™XL cross-linking technology in order to deliver tangible commercial benefits to our partners. Onto™ XL delivers both surface functionalisation and inter-layer adhesion. These compounds have multiple heads per molecule but do not contain a functional group. To add surface functionalisation they are blended with an off-the-shelf polymer that contains the desired functionality. On curing, a bonded network is formed between the functional material and the XL, creating a layer of material which is strongly bonded to the surface. To improve interfacial adhesion between a coating and a surface XL can be used neat and the multiple reactive heads can form a network that continues throughout the Onto™ layer.

Outlook

Both our key technology platforms, VISARC and Onto, continue to make good progress toward commercialisation. We are well on the route to scale manufacture and supply. We anticipate continued demonstrable progress through the second half of 2012.

Dr Peter Rowley
Chairman
26 September 2012

GROUP FINANCIAL REVIEW

The unaudited interim condensed consolidated financial statements have been prepared for the six months to 30 June 2012.

Trading

Group revenue for the six month period ended 30 June 2012 was £69,000 (2011: £nil). £62,000 was generated from fee paying commercial agreements and individual projects with a further £7,000 from grant funding. The Group continues to work on a number of strategically targeted fee-free projects and product sampling in order to generate further interest in the Group's technology offerings.

Loss before Tax

The loss before tax for the six month period was £808,000 (2011: £929,000).

Research and development costs decreased from £535,000 to £474,000. Particle Technologies costs increased from £305,000 to £311,000 driven by a significant increase in customer specific development and pre-manufacture particle scale-up offset by the completion of a number of outsourced development programmes in 2011. Those associated with Reactive Chemistry reduced from £230,000 to £163,000 as the Group increased focus on the closest-to-market technology.

Other administrative costs decreased overall from £402,000 for the first six months of 2011 to £380,000 in 2012. This is driven by cost management programmes combined with the loss of Dr Mike Eason in March 2011, partly offset by an increase in business development costs driven by our market focus and potential customers.

Interest from deposits for the period amounted to £67,000 (2011: £77,000). This reduction was mainly driven by a lower cash balance, partly offset by increasing deposit rates that were available to the Group during the period.

Balance Sheet

The Group continues to invest in, and support, its patent portfolio and both Reactive Chemistry and Particle Technologies have multiple filings at various stages of review and grant. Intellectual Property is key to the Group's future success and we continue to file new patents in both existing and newly identified fields of development to secure our long-term commercial pipeline.

The Group has a robust balance sheet and the Directors believe that it is sufficient to support the business for the foreseeable future. In particular the Group has £4,993,000 of cash held in instant access and term deposits specifically for developing and commercialising its technology.

Cash flow

The Group's overall cash and short-term investment position reduced by £812,000 during the period (2011: £727,000). The cash outflow from operations amounted to £816,000 (2011: £863,000). £40,000 (2011: £64,000) was invested in laboratory equipment, computers and office fittings to support business growth and technology development.

Investment in our patent portfolio increased to £20,000 (2011: £12,000) reflecting the costs incurred in new patents, multiple country filings and grants.

Treasury activities and policies

The Group carries a significant cash sum, which is managed prudently. In order to minimise the risk to the Group's capital, the funds are invested across a number of independent financial institutions with strong credit ratings. The deposits range from instant access to 12 month term deposits and are regularly monitored by the Board. The current allocation between cash and short term investments is detailed in note 4. The balance of maturities is managed to meet the cash flow demands of the business.

Share option scheme

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

Philip Spinks
Chief Financial Officer
26 September 2012

INTERIM CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Unaudited condensed consolidated financial statements to 30 June 2012

	Six months to 30 June	Six months to 30 June	Year to 31 December

	Notes	2012 Unaudited £'000	2011 Unaudited £'000	2011 Audited £'000
CONTINUING OPERATIONS				
Revenue		69	-	19
Cost of sales		(89)	(72)	(150)
GROSS PROFIT		(20)	(72)	(131)
Research and development costs		(474)	(535)	(1,041)
Other administrative costs		(380)	(402)	(767)
Share based payments		(1)	3	-
Total administrative costs		(855)	(934)	(1,808)
LOSS FROM OPERATIONS		**(875)**	**(1,006)**	**(1,939)**
Finance income		67	77	153
LOSS BEFORE TAX	3	**(808)**	**(929)**	**(1,786)**
Income tax credit		68	65	145
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	3	**(740)**	**(864)**	**(1,641)**
Loss per share attributable to the equity holders of the company:				
Total and continuing:				
- Basic and diluted (pence)	5	(0.38)	(0.44)	(0.84)

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited condensed consolidated financial statements to 30 June 2012

	Notes	30 June 2012 Unaudited £'000	30 June 2011 Unaudited £'000	31 December 2011 Audited £'000
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		346	259	339
Plant and equipment		227	240	247
		573	**499**	**586**
CURRENT ASSETS				
Stocks		9	4	1
Trade and other receivables		420	240	334
Short-term investments and cash and cash equivalents	4	4,993	6,753	5,805
		5,422	**6,997**	**6,140**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		185	173	177
NET CURRENT ASSETS		**5,237**	**6,824**	**5,963**
LIABILITIES				
NON-CURRENT LIABILITIES				
Provisions		10	10	10
NET ASSETS		**5,800**	**7,313**	**6,539**
SHAREHOLDERS EQUITY				
Called up share capital		1,957	1,957	1,957
Share premium		10,423	10,423	10,423
Merger reserve		6,369	6,369	6,369
Reverse acquisition reserve		(6,831)	(6,831)	(6,831)
Retained earnings		(7,017)	(5,500)	(6,277)
Share based payments reserve		899	895	898
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**5,800**	**7,313**	**6,539**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Unaudited condensed consolidated financial statements to 30 June 2012

	Share Equity £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Retained Earnings £'000	Share Based Payment Reserve £'000	Total Equity £'000
At 1 January 2011	**1,957**	**10,423**	**6,369**	**(6,831)**	**(4,636)**	**898**	**8,180**
Total comprehensive loss for the six months to 30 June 2011	-	-	-	-	(864)	-	(864)
Share based payments	-	-	-	-	-	(3)	(3)
At 30 June 2011	**1,957**	**10,423**	**6,369**	**(6,831)**	**(5,500)**	**895**	**7,313**
Total comprehensive loss for the six months to 31 December 2011	-	-	-	-	(777)	-	(777)
Share based payments	-	-	-	-	-	3	3
At 31 December 2011	**1,957**	**10,423**	**6,369**	**(6,831)**	**(6,277)**	**898**	**6,539**
Total comprehensive loss for the six months to 30 June 2012	-	-	-	-	(740)	-	(740)
Share based payments	-	-	-	-	-	1	1
At 30 June 2012	**1,957**	**10,423**	**6,369**	**(6,831)**	**(7,017)**	**899**	**5,800**

INTERIM CONSOLIDATED CASH FLOW STATEMENT
Unaudited condensed consolidated financial statements to 30 June 2012

	Notes	Six months to 30 June 2012 Unaudited £'000s	Six months to 30 June 2011 Unaudited £'000s	Year to 31 December 2011 Audited £'000s
Loss before tax		(808)	(929)	(1,786)
Depreciation and amortisation charges		72	68	144
Write-off of intangible assets		-	-	22
Loss/(Profit) on disposal of property, plant and equipment		1	(1)	(1)
Share based payment expense/(release)		1	(3)	-
Finance income		(67)	(77)	(153)
		(801)	(942)	(1,774)
(Increase)/Decrease in stocks		(8)	6	9
(Increase)/Decrease in trade and other receivables		(15)	50	53
Increase in trade and other payables		8	23	27
Cash outflow from operations		(816)	(863)	(1,685)
Income tax received		-	101	101
Net cash outflow from operating activities		(816)	(762)	(1,584)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		-	-	4
Purchase of intangible assets		(20)	(12)	(124)
Purchase of property, plant and equipment		(40)	(64)	(141)
Decrease/(Increase) in cash placed on long-term deposit		735	(629)	(104)
Interest received		64	111	170
Net cash inflow/(outflow) from investing activities		**739**	**(594)**	**(195)**

Decrease in cash and cash

Decrease in cash and cash equivalents		(77)	(1,356)	(1,779)
Cash and cash equivalents at beginning of year	4	555	2,334	2,334
Cash and cash equivalents at end of year	4	**478**	**978**	**555**
Short term investments		4,515	5,775	5,250
Short-term investments and cash and cash equivalents	4	**4,993**	**6,753**	**5,805**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited condensed consolidated financial statements to 30 June 2012

1 Corporate information

Oxford Advanced Surfaces Group plc ("the Company" or "OAS") and its subsidiaries (together "the Group") is an unique research and development company that aims to provide multinational industrial corporations with technical solutions and materials to create engineered surface coatings and advanced materials in fast moving and high technology market segments, including electronics, solar, ophthalmic and automotive. The Group offers two technology platforms; Onto™ and VISARC™.

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

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2012 which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The Group's presentation and functional currency is Sterling.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting', and should be read in conjunction with the Group's annual financial statements as at 31 December 2011. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS.

The financial information for the year ended 31 December 2011 does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. A copy of the audited financial statements for that year has been delivered to the Registrar of Companies. The Auditors' opinion on those financial statements was unqualified, did not draw attention to any matters by way of an emphasis of matter paragraph, and it contained no statement under section 498(2) or section 498(3) of the Companies Act 2006.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, as noted below, none of which resulted in any impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IAS 12 - Deferred Tax: Recovery of underlying assets (Amendment)
- IFRS 7 - Disclosures: Transfers of financial assets (Amendment)
- IFRS 1 - Severe hyperinflation and removal of fixed dates for first-time adopters (Amendment)

2.2 Going concern

Information on the business environment and the factors underpinning the Group's future prospects and product portfolio are included in the Chairman's statement. The financial position of the Group is outlined in the Group financial review. The directors believe that the diversity of the technology portfolio and customer base should allow it to continue to operate in the current economic climate. The directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

3 OPERATING SEGMENT INFORMATION

The Board is of the opinion that the business operates two distinct reportable operating segments:

- The Reactive Chemistry segment is focussed on developing and licensing novel Onto™ chemistry that provides advances in cross-linking, adhesion and surface modification leading to new and advanced materials and material solutions. Included within this segment is:

- Onto™ XL Cross-Linking Technology

- The Particle Technology segment is focussed on using and modifying particles for use in a wide range of applications, from optical coatings through to fast moving consumer goods and agrochemicals. Included within this segment is:
  - VISARC™ Anti-Reflective Coatings

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 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 are regularly reviewed by the Board of Directors.

Segment performance is measured by reference to revenue, cost of sales, research and development costs, administration costs, income tax credit and segment loss after tax. The remaining administrative costs and finance income are managed centrally and are not allocated to segments. Assets and liabilities are not measured nor assessed on a segment basis.

Six months ended	**Reactive**	**Particle**	**Corporate**	
30 June 2012	**Chemistry**	**Technologies**	**unallocated**	**Consolidated**
Unaudited	**£'000**	**£'000**	**£'000**	**£'000**
Revenue				
Fee paying agreements	29	33	-	**62**
Grants	-	-	7	**7**
Total Revenue	**29**	**33**	**7**	**69**
Cost of sales	(32)	(57)	-	**(89)**
Research and development costs	(163)	(311)	-	**(474)**
Other administrative costs	(18)	(63)	(299)	**(380)**
Share based payments	-	(1)	-	**(1)**
Finance Income	-	-	67	**67**
Segment loss before tax	**(184)**	**(399)**	**(225)**	**(808)**
Income tax credit	23	45	-	68
Loss for the year	**(161)**	**(354)**	**(225)**	**(740)**

Within Reactive Chemistry the revenue from fee paying agreements represents two customers, both representing more than 10% of the income. For Particle Technologies there are also two customers, however only one represents more than 10% of the income.

Six months ended	**Reactive**	**Particle**	**Corporate**	
30 June 2011	**Chemistry**	**Technologies**	**unallocated**	**Consolidated**
Unaudited	**£'000**	**£'000**	**£'000**	**£'000**
Revenue				
Fee paying agreements	-	-	-	**-**
Grants	-	-	-	**-**
Total Revenue	**-**	**-**	**-**	**-**
Cost of sales	(35)	(37)	-	**(72)**
Research and development costs	(230)	(305)	-	**(535)**
Other administrative costs	(27)	(41)	(334)	**(402)**
Share based payments	24	(9)	(12)	**3**
Finance income	-	-	77	**77**
Segment loss before tax	**(268)**	**(392)**	**(269)**	**(929)**
Income tax credit	**27**	**38**	-	**65**
Loss for the year	**(241)**	**(354)**	**(269)**	**(864)**

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, and the current research and development nature of the business is not considered to be seasonal.

4 SHORT TERM INVESTMENTS AND CASH AND CASH EQUIVALENTS

	30 June 2012	**30 June 2011**	**31 December 2011**
	Unaudited	**Unaudited**	**Audited**
	£'000	**£'000**	**£'000**
Short term investments	4,515	5,775	5,250
Cash at bank and in hand	478	978	555
	4,993	**6,753**	**5,805**

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

5 LOSS PER SHARE (BASIC AND DILUTED)

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

	Six months to 30 June 2012 Unaudited	Six months to 30 June 2011 Unaudited	Year to 31 December 2011 Audited
Loss attributable to equity holders of the group (£'000)	(740)	(864)	(1,641)
Weighted average number of ordinary shares in issue	195,740,641	195,740,641	195,740,641
Basic & diluted loss per share (pence)	**(0.38)**	**(0.44)**	**(0.84)**

6 ULTIMATE CONTROLLING PARTY

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

7 POST BALANCE SHEET EVENTS

On 1 August 2012 it was announced that the Group had appointed a new Chief Executive Officer, Adrian Meldrum. Adrian will join the business on 1 October 2012.