

□

## OXFORD ADVANCED SURFACES GROUP PLC (AIM: OXA)

### Preliminary Results

Oxford Advanced Surfaces Group ("OAS") the AIM listed technology developer targeting a number of global markets including consumer and industrial displays, solar panels, eyewear and the electronics and adhesion markets, announces its Preliminary Results for the period ended 31 December 2012.

#### Highlights:

- **The loss before tax for the year was £1,696,000 (2011: £1,786,000);**
- **New CEO appointed October 2012;**
- **2012 focussed on product development plans for both the Onto™ and VISARC™ technologies;**
- **Targeted marketing campaign on adhesion promotion for polymers expected to achieve commercial revenues.**

#### Dr Peter Rowley, Chairman said:

*"We are making good progress across the business. The field trials with Onto™XL, started in 2011 were extended in 2012 and manufacturing trials are planned through 2013 with a view to providing volume demand in 2014.*

*With the VISARC™ Technology we are engaged in a number of development programs and have confirmed our volume manufacturing capability. We are now looking at various particle processing options with a view to selecting the most efficient route forward.*

*Our aim is to achieve significant technical and operational progress in the current financial year, moving towards full commercialisation in a number of areas in 2014. Strong market pull and emerging applications are expected to provide significant opportunities for the Company as we execute against our plans."*

01 May 2013

#### Enquiries:

**Oxford Advances Surfaces Group Plc**  
Adrian Meldrum, Chief Executive Officer  
Philip Spinks, Chief Financial Officer

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

T: 01865 854 807

**W H Ireland Limited**  
John Wakefield

[www.wh-ireland.co.uk](http://www.wh-ireland.co.uk)

T: 0117 945 3471

**Lothbury FS Limited**  
Gary Middleton / Michael Padley

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

T: 0203 440 7620

#### REVIEW OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The year to 31 December 2012 has been one of progress and development for Oxford Advanced Surfaces ("OAS"). Our new CEO joined in October bringing a strong focus on delivering our technologies to the market.

There are significant markets, applications and commercial potential open to OAS. Our proprietary technology

offering, which has strong IP and know-how, along with a focussed team and growing market provides the key elements required to allow us to achieve our commercial and strategic goals.

## **Market Evolution & Opportunity**

OAS addresses growing and evolving markets across multiple industries for both our Onto™ and VISARC™ technologies. Each market segment we address is driven through innovation and the need for increased functionality and value-add as new products and capabilities are developed by customers.

The Onto™ technology and product offering is primarily targeted at the adhesion promotion industry for applications with coatings and films and a wide range of polymer substrates. Market leaders in adhesive technology are focussed on innovative technology trends and the adoption of new materials to provide novel adhesive solutions. Market drivers, such as the need for lighter and more efficient transport solutions, sustainable and renewable technologies and increased global and mobile communications, all contribute to an increased opportunity for adhesion promotion. The use of organic materials continues to expand throughout industry in applications such as printing, flexible displays, solar power generation and printed electronics.

Increased functionality and the need for size, weight and cost reduction is expanding the scope and use of polymer based products leading to larger addressable markets for Onto™. In addition to this, broader surface modification applications, such as oil and water repellent coatings, all contribute to an expanding marketplace for our products.

Our VISARC™ technology primarily targets the global electronic display market in which the adoption of anti-reflection coatings for reduced glare, increased viewing angle and improved visual performance is growing across all forms of display. Large area televisions, PC display monitors, tablets and smartphones are all being introduced to the consumer and industrial display markets with anti-reflection coatings being used as a key differentiator.

The broader penetration of flat screen televisions, along with the overall increase in display area for televisions, PCs, tablets and smartphones, will generate an estimated anti-reflection coating market of c. US\$1bn by 2016. This potential market is increased significantly by industrial applications as user interfaces become interactive through optical display technology in transport, manufacturing, medical and test and measurement fields.

Other applications, in solar panel efficiency and ophthalmics, provide us with an evolving multi-billion dollar market for our VISARC™ technology.

## **Business Development & Strategy**

2012 focussed on the continued development and execution of our technology along with product development plans for both the Onto™ and VISARC™ technologies.

### **Onto™ Technology**

Our Onto™ strategy and technology development has concentrated on adhesion promotion for coatings. Our third generation of the Onto™ species - Onto™ XL, with a highly functionalised head, has been evaluated with a broad range of coatings (such as inks and polyvinyl polymers) and substrates (such as PET, PE, PTFE and PC).

Improved performance has been demonstrated against industry standard tests with data packages collected and marketed across multiple industries. This demonstrates significant progress from the performance and applicability demonstrated in 2011 on metal adhesion for use in the electronics industry.

A focussed marketing campaign commenced in the second half of 2012 on adhesion promotion for polymers. This has continued into 2013 and we expect a number of specific and custom projects will be generated with a view to achieving commercial revenues in late 2013. Short term technical milestones need to be met to allow this to happen, along with further development of key customer engagements.

Field trials with Onto™ XL used as an adhesion promoter, which commenced in 2011, were extended in 2012 with a tier one thin film customer completing lifetime testing for an industrial roll-to-roll volume application. Manufacturing trials are expected through 2013 with a view to providing volume demand in 2014.

The XL based solvent resistant oil and water repellent treatments, where we greatly lower the surface energy of various substrates and which solves many industrial and manufacturing needs, remains a key technology and product offering as a follow on to our adhesion promotion push and strategy execution.

During 2012 volume capable processing, formulation and supply has been demonstrated and engagement with volume capable outsource partners is in progress.

The 2013 priority for the Onto™ technology is the commercialisation of our newly demonstrated performance capability with improved products.

### **VISARC™ Technology**

Our activity during 2012 on the VISARC™ anti-reflective technology has been concerned with developing variants of

mesoporous silica nanoparticles, increasing our formulation knowledge, demonstrating high performance coatings and validating our volume manufacturing capability and partners.

Firstly, variants of our nanoparticles have been synthesised with different functionalities to match substrate and formulation / binder systems. Particles tailored to glass and polymer substrates have been made and supplied to customers for evaluation in their formulations and coatings for use in applications such as televisions, PCs, tablets and smartphones.

The ability to functionalise particles in different ways to match individual customer formulation requirements demonstrates further progress in our objectives. It opens up greater flexibility when working with the global customer base and this activity will continue to expand in 2013.

Secondly, we have focussed on increasing our formulation knowledge within development agreements and on our own internal projects. It has become clear that specific formulation knowledge around our various nanoparticles and how they interface with the customer binder systems and the multiple substrates used in the industry is critical in achieving durable, low reflection coatings. We have strengthened our internal knowledge with external consultants and the recently expanded Technical Advisory Board is helping to drive our internal capabilities.

The combination of optimum optical performance with mechanical robustness and durability has been, and remains, a major objective as we enter 2013.

Finally, we have confirmed our volume manufacturing capability and partners are now looking at various particle processing options with a view to selecting the most efficient route forward from both a capital efficiency and process perspective.

As announced in early 2012, we are currently engaged in a non-exclusive joint development agreement with a major global coating and substrate company for electronic displays. Whilst this program has seen some delays in achieving key milestones, mostly around the matching of particles to formulation, we continue to drive critical developments in order to progress this agreement.

## **Board and Organisation**

The OAS Board of Directors has been stable throughout 2012 with no changes other than the appointment of the new CEO in October 2012.

This appointment has added significantly to the breadth and depth of the Board in terms of technology development and new product introduction into consumer driven industrial markets. Active Board involvement in steering the company remains a priority. In early 2013 we enhanced our Technology Advisory Board to accelerate our technology development.

At the end of 2012 employee numbers, excluding non-executive Directors, stood at 20, of which 16 were focussed on research and development. We expect employee numbers to remain fairly constant until commercial deals are completed, at which point we will require additional scale-up and operational / commercial resources.

Our process and systems were re-audited by British Standards and we successfully retained our ISO 9001: 2008 accreditation.

## **Outlook**

The transition from research and development to full commercial availability of our technology and product offerings remains our top priority and we look to achieve this in the current year.

Strong market pull and emerging applications will provide significant opportunities for the Company when combined with effective technology execution.

### **Dr Peter Rowley**

*Non-executive Chairman*

### **Adrian Meldrum**

*Chief Executive Officer*

30 April 2013

Company Number: 5845469

## **FINANCIAL REVIEW**

The consolidated financial statements have been prepared for the year to 31 December 2012.

## Trading

Group revenue for the year ended 31 December 2012 was £86,000 (2011: £19,000). This was generated from fee paying commercial agreements and individual projects. Grant income received during 2012 was £19,000 (2011: £nil). The Group continued 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.

The loss before tax for the year was £1,696,000 (2011: £1,786,000) after charges of £27,000 (2011: £nil) related to share based payments. Excluding share based payment charges the adjusted loss before tax for the year was £1,669,000 (2011: £1,786,000).

## Loss before Tax

Research and development costs decreased from £1,041,000 to £909,000 driven by our internal focus on key technologies and also the completion of significant tranches of development work on our mesoporous particle completed in 2011.

Our continued focus on cost and closest-to-market technologies allowed us to reduce research and development costs in Reactive Chemistry from £419,000 to £316,000 and in Particle Technologies from £622,000 to £587,000.

Other administrative costs increased from £767,000 to £803,000, partly driven by the recruitment of our new CEO.

We continue to review our costs in all areas to ensure that we get full value from both our research and development endeavours and our administrative functions.

Interest from deposits for the year amounted to £126,000 (2011: £153,000). This reduction was mainly driven by a lower cash balance, partly offset by increasing deposit rates that were available to the Group during the year.

## Taxation

We continue to utilise the benefits from enhanced research and development tax credits and also seek available tax repayments under the Small Company scheme. For the year to 31 December 2012 this credit amounted to £159,000 (2011: £145,000).

## Balance Sheet

We currently have four active patent families in the Onto™ technology space, three of which have been granted in multiple territories, the fourth is published and being inspected. There are two core VISARC™ technology patents, both of which are now published and moving to the next phase. We believe we have a strong patent portfolio which will support the business going forwards. We will continue to develop and enhance our portfolio with additional filings in our key markets and also new applications of our existing technology. We currently have a number of new filings in progress in both technology areas for future product development.

The Group has a robust balance sheet and the Directors believe that it is sufficient to support the business for the foreseeable future. At 31 December 2012 the Group had £4,304,000 (2011: £5,805,000) 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 £1,501,000 during the year (2011: £1,675,000).

The net cash outflow from operations amounted to £1,655,000 (2011: £1,685,000) whilst £59,000 (2011: £141,000) was invested in laboratory equipment, computers and office fittings to support business growth and technology development. Investment in our patent portfolio decreased to £84,000 (2011: £124,000) reflecting the costs incurred in multiple country filings, new patent applications and grants. This is not a reflection of any reduction in investment but the timing of specific costs.

## 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 balance of maturities is managed to meet the cash flow demands of the business.

## Share option scheme and EBT

The Group operates a share option scheme (both EMI and unapproved) and an Employee Benefit Trust (EBT) to provide long-term incentives and reward to key and high performing members of staff.

The option 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.

The EBT is for senior management and is operated for the benefit of individuals who hold jointly owned shares with the trustees under Joint Ownership Agreements (JOA).

### Philip Spinks

Chief Financial Officer

30 April 2013

Company Number: 5845469

#### OXFORD ADVANCED SURFACES GROUP PLC CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For The Year Ended 31 December 2012

	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
<b>CONTINUING OPERATIONS</b>		
Revenue	86	19
Cost of sales	(169)	(150)
<b>GROSS LOSS</b>	<b>(83)</b>	<b>(131)</b>
Research and development costs	(909)	(1,041)
Other administrative costs	(803)	(767)
Share based payments	(27)	-
<b>Total administrative costs</b>	<b>(1,739)</b>	<b>(1,808)</b>
<b>LOSS FROM OPERATIONS</b>	<b>(1,822)</b>	<b>(1,939)</b>
Finance income	126	153
<b>LOSS BEFORE TAX</b>	<b>(1,696)</b>	<b>(1,786)</b>
Income tax credit	159	145
<b>LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(1,537)</b>	<b>(1,641)</b>
Loss per share attributable to the equity holders of the Company:		
Total and continuing:		
- Basic and diluted	(0.79)	(0.84)

The loss for the year arises from the Group's continuing operations.

There were no items of other comprehensive income for the year to 31 December 2012 or 2011 and therefore the loss for the year is also the total comprehensive loss for the year net of tax.

The basic and diluted loss per share are the same as the effect of share options is anti-dilutive.

#### OXFORD ADVANCED SURFACES GROUP PLC CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION For The Year Ended 31 December 2012

	Group		Company	
	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Investments	-	-	20,469	20,650
Intangible assets	396	339	-	-
Plant and equipment	191	247	3	2
Loan to subsidiaries	-	-	4,934	3,910
	<b>587</b>	<b>586</b>	<b>25,406</b>	<b>24,562</b>
<b>CURRENT ASSETS</b>				
Stocks	-	1	-	-
Trade and other receivables	295	334	107	120
Short-term investments and cash and cash equivalents	4,304	5,805	4,269	5,767
	<b>4,599</b>	<b>6,140</b>	<b>4,376</b>	<b>5,887</b>

<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	145	177	62	51
<b>NET CURRENT ASSETS</b>	<b>4,454</b>	<b>5,963</b>	<b>4,314</b>	<b>5,836</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Provisions	10	10	-	-
<b>NET ASSETS</b>	<b>5,031</b>	<b>6,539</b>	<b>29,720</b>	<b>30,398</b>
<b>SHAREHOLDERS' EQUITY</b>				
Called up share capital	1,977	1,957	1,977	1,957
Share premium	10,603	10,423	10,603	10,423
Merger reserve	6,369	6,369	18,669	18,669
Reverse acquisition reserve	(6,831)	(6,831)	-	-
Retained earnings	(7,365)	(6,277)	(1,807)	(1,549)
Share based payments reserve	278	898	278	898
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>5,031</b>	<b>6,539</b>	<b>29,720</b>	<b>30,398</b>

**OXFORD ADVANCED SURFACES GROUP PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For The Year Ended 31 December 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
<b>At 1 January 2011</b>	<b>1,957</b>	<b>10,423</b>	<b>6,369</b>	<b>(6,831)</b>	<b>(4,636)</b>	<b>898</b>	<b>8,180</b>
Total comprehensive loss for the year to 31 December 2011	-	-	-	-	(1,641)	-	(1,641)
<b>At 31 December 2011</b>	<b>1,957</b>	<b>10,423</b>	<b>6,369</b>	<b>(6,831)</b>	<b>(6,277)</b>	<b>898</b>	<b>6,539</b>
Total comprehensive loss for the year to 31 December 2012	-	-	-	-	(1,537)	-	(1,537)
Issue of share capital	20	180	-	-	-	-	200
Employee benefit trust	-	-	-	-	(198)	-	(198)
Transfer of share based payment charges on cancellation of options	-	-	-	-	647	(647)	-
Share based payments	-	-	-	-	-	27	27
<b>At 31 December 2012</b>	<b>1,977</b>	<b>10,603</b>	<b>6,369</b>	<b>(6,831)</b>	<b>(7,365)</b>	<b>278</b>	<b>5,031</b>

**OXFORD ADVANCED SURFACES GROUP PLC**  
**CONSOLIDATED AND COMPANY CASHFLOW STATEMENTS**  
For The Year Ended 31 December 2012

	Group		Company	
	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000	Year to 31 December 2012 £'000	Year to 31 December 2011 £'000s
Loss before tax	(1,696)	(1,786)	(520)	(396)
Depreciation and amortisation charges	141	144	2	2
Write-off of intangible assets	-	22	-	-
Loss/(profit) on disposal of plant and equipment	1	(1)	-	-
Share based payment expense	27	-	21	11
Finance income	(126)	(153)	(126)	(153)
	(1,653)	(1,774)	(623)	(536)
Decrease/(increase) in stocks	1	9	-	-
Decrease/(increase) in trade and other receivables	29	53	(11)	22
(Decrease)/increase in trade and other payables	(32)	27	11	9
<b>Cash outflow from operations</b>	<b>(1,655)</b>	<b>(1,685)</b>	<b>(623)</b>	<b>(505)</b>
Income tax received	145	101	-	-

<b>Net cash outflow from operating activities</b>	<b>(1,510)</b>	<b>(1,584)</b>	<b>(623)</b>	<b>(505)</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of plant and equipment	-	4	-	-
Purchase of intangible assets	(84)	(124)	-	-
Purchase of plant and equipment	(59)	(141)	(3)	-
Decrease/(increase) in short term investments	1,570	(104)	1,570	(104)
Interest received	150	170	150	170
<b>Net cash inflow/(outflow) from investing activities</b>	<b>1,577</b>	<b>(195)</b>	<b>1,717</b>	<b>66</b>
<b>Net cash from financing activities</b>				
Share issue	2	-	2	-
Outflow from loan to subsidiary	-	-	(1,024)	(1,363)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>2</b>	<b>-</b>	<b>(1,022)</b>	<b>(1,363)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>69</b>	<b>(1,779)</b>	<b>72</b>	<b>(1,802)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>555</b>	<b>2,334</b>	<b>517</b>	<b>2,319</b>
<b>Cash and cash equivalents at end of year</b>	<b>624</b>	<b>555</b>	<b>589</b>	<b>517</b>
<b>Short term investments</b>	<b>3,680</b>	<b>5,250</b>	<b>3,680</b>	<b>5,250</b>
<b>Short-term investments and cash and cash equivalents</b>	<b>4,304</b>	<b>5,805</b>	<b>4,269</b>	<b>5,767</b>

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

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

END

FR NKKDPPBKDPQN