



OXFORD ADVANCED SURFACES GROUP PLC
(AIM: OXA)

Preliminary Final Results for the Year Ended 31 December 2011

The Board of Oxford Advanced Surfaces Group Plc ("OAS" or "the Company"), the AIM listed technology developer targeting a number of global markets including displays, solar panels and the electronics market announces today Final Results for the year ended 31 December 2011.

CORPORATE HIGHLIGHTS

- Revenue for the year to 31 December 2011 £19,000 (2010 £259,000)
- Loss before taxation £1,786,000 (2010 £1,634,000)
- Loss per share 0.84p (2010 0.81p)
- Short term investments and cash and cash equivalents £5,805,000 (2010 £7,480,000)
- The company has been active in three areas involving its VISARC™ technology:
 - The scale-up and manufacture of the core nanoparticle that forms the basis of its ARC technology.
 - Working closely with a number of potential licensees with the aim to develop these relationships into commercial arrangements.
 - Engaged in discussion with two formulation partners who can provide resource for potential end customers who do not have their own in-house formulation expertise.
- OAS is now on its third generation of the Onto™ species - Onto™ XL, which delivers significantly more efficient mass scale production potential whilst also ensuring that global transportation of the finished product is simplified.

Dr Peter Rowley, Chairman of Oxford Advanced Surfaces commenting on the year ends results said,

"We expect our VISARC™ technology to complete development so that we can manufacture and deliver sufficient scale of particle to start mass manufacture at the customers' facilities within six to 12 months.

Our Onto™ chemistry applications will require a longer development period before first royalty bearing product launch due to the need for specific formulation design, scaled manufacturing, and completion of local and specific market regulatory clearance. We expect combinations of development and advanced licence fees to supplement our expenditure before actual commercial product launch."

25 April 2012

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Editors' Note

Oxford Advanced Surfaces Group plc (OAS) is a research-based company that develops and licenses intellectual property and products in the areas of highly reactive chemistry and anti-reflective coatings. The Company's research scientists develop innovative solutions in advanced materials and nano-technology for partners to exploit. The Company's solutions apply to real-world, practical processing and innovation challenges as novel polymer and organic materials are introduced to improve cost, weight, space and performance in new products. Initial applications include advanced [adhesion](#), [anti-reflective](#) coatings and [particle delivery](#) in markets including conventional and plastic electronics,

optics, displays, batteries and solar.

www.oxfordsurfaces.com

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

This is my first report to shareholders as the newly appointed Chairman of Oxford Advanced Surfaces Group plc.

I joined the Group in 2011 because I believe that it possesses two exciting platform technologies that offer significant commercial potential. Since the start of 2011 the Group has made significant steps toward making the move from development to commercialisation a reality, which I shall address below. As the Group is currently without a Chief Executive Officer I shall cover the business review in my report.

Business Development

We have continued to develop the key technologies within Onto™ and now have a number of projects in surface functionalisation and adhesion promotion that we hope to convert to development agreements and/or sales during 2012.

We are now on our third generation of the Onto™ species - Onto™ XL. The continued technical development behind XL delivers significantly more efficient mass scale production potential whilst also ensuring that global transportation of the finished product is simplified. In addition we retain the ease of use and ability to apply the chemistry through established wet chemical processing techniques.

In December 2011 we announced our XL based solvent resistant oleophobic and hydrophobic (repels oil and water) treatment. This treatment can greatly lower the surface energy of various substrates and solves many industrial and manufacturing needs. A common approach for imparting both hydrophobic and oleophobic functionality into a surface is to coat it directly with a fluoropolymer but there are often associated problems with the solvent stability of the film, especially on plastic substrates. Using Onto™ in conjunction with a fluoropolymer prevents delamination resulting in a modified surface that is stable to solvent exposure. We are now marketing this solution to interested parties, mainly focussed on electronics.

At the start of 2012 we successfully completed a customer field trial of our Onto™ Chemistry, and this also demonstrated that we could coat film substrates using roll-to-roll processes at a commercial scale. This is a key proof-of-concept for us. We are now engaged with the customer on potential development opportunities and exploring target markets.

Onto™ XL has further opened the adhesion promotion market. We have completed a segment of work on metal adhesion for use in the electronics industry, particularly the adhesion of gold in the increasingly important and developing printed electronics market. We also continue to work on the highly successful results from our previously completed grant funded project on printed electronics and flexible displays, along with the Printed Electronics Technology Centre (PETEC). We continue to provide samples and technical support to those interested in developing these technologies.

In addition we are now reaching a stage where we can provide an off-the-shelf adhesion promoter for a wide base of substrates for use in applications involving low surface energy interfaces. The main markets are industrial, general assembly and transport. We hope to be able to sample a product later in the year.

Onto™ Chemistry remains a key long-term value creator; however it will not commercialise as early as the VISARC™ technology.

We have been active in three areas involving our VISARC™ technology. Firstly we have decided to scale-up and manufacture the core nanoparticle that forms the basis of our ARC technology. We have selected a scale-up partner who can bring the relevant technical and manufacturing skills and experience to our business and can also manage the logistical issues surrounding the global shipment of this product. We have commenced scale-up work and testing of intermediate batch production to prepare us for commercial scale. So far the project has proceeded well and we believe that manufacture of this key material is achievable within the timeframes and scales specified by our customers. Further scale-up investment will be supported by commercial agreements with our customers.

Secondly, in addition to our own base formulations for ARC, we have been providing numerous samples of the particle in various forms to a number of original equipment manufacturers and the producers of ARCs in the displays and ophthalmic industries. We are now working closely with a number of potential licensees and hope to develop these relationships into commercial arrangements.

Our third development area is that of formulation partners. The strategy here will enable OAS to reach far more markets more quickly than it could achieve on its own. We are currently in discussion with two formulation partners and have also introduced them to end users for whom we cannot currently provide resource, or who do not have in-house formulation expertise. These partners are skilled in formulation and, working alongside OAS, will be able to create tailored ARCs for specific applications outside the current displays and ophthalmic areas. OAS will seek a license of the technology, along with the supply of the core nanoparticle for the coatings.

Technology

Onto™ Cross-Linking Technology

Onto™ Highly Reactive Chemistry is a unique surface modification technology proprietary to OAS. The product reacts with the surface to form a permanently bonded layer of material, allowing rapid and convenient modification. Whilst it will bond with almost any type of substrate, we believe it provides the most compelling, cost-effective benefits with organic materials, where alternative technologies are less effective. Onto™ can be used in surface functionalisation applications as well as in the adhesion of a coating to a substrate.

Onto™ is processed from solution using standard wet chemical processes such as spin, roll to roll and dip coating and is cured using heat or UV irradiation. It is manufacturing friendly, allowing our customers simply to integrate the chemistry into their existing processes. All Onto™ species contain a reactive head, a group which is capable of forming strong bonds with most materials. OAS has developed two types of Onto™ species - Onto™ SM (single molecule) and Onto™ XL (cross-linker).

Onto™ SM compounds are single molecules that include a reactive head and a functional tail; a group that has a useful property as a result of its chemical nature. These products are used specifically for delivering tailored surface functionalisation. If required, the modification of the surface can be carried out to micron precision allowing the preparation of highly patterned materials with multiple, discrete, functionalities.

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 'heat' and the multiple reactive heads can form a network that continues throughout the Onto™ layer.

VISARC™ Anti-Reflective Coatings

An anti-reflective coating (ARC) is a thin film of material that is processed on to a substrate in order to significantly reduce its visible light reflection. 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. This occurs at both surfaces so in total at least 9-10% of sunlight is reflected from the substrate. There is a strong and existing market demand for applications as diverse as reducing reflections from ophthalmic coatings for eyewear and thus reducing eyestrain, eliminating reflections from display screens to improve ease of viewing and reduce power usage, and for improving transmission of light into solar cells and therefore increasing efficiency.

VISARC™ ARCs deliver high performance, broad band anti-reflection with just a single layer of material. The formulations contain nanoparticles immobilised in a binder which is chosen for its compatibility to the substrate of interest. 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 range of rigid and flexible substrates. The technology has several applications including solar cells, display screens and ophthalmic lenses for eyewear.

Commercially available anti-reflective coatings in ophthalmic applications typically use expensive batch processing vapour deposition techniques and these are typically applied to lenses at central hubs or at the lens manufacturer. This results in long lead times delivering a final product to the customer.

Our high-performance wet-coat ARC provides a lower-cost alternative with similar optical and durability performance. The wet-coat process only requires the use of spin-coating machines already widely used in ophthalmics. This equipment is a fraction of the cost of PVD to both purchase and operate. We believe the combination of performance and application process provides the ophthalmic market with an opportunity to introduce ARCs at the point of sale and thus improve turn-around to hours rather than days. We are in discussion with a number of early adopters for this market.

The displays market has been an early adopter of ARCs for televisions through to the current introduction of ARCs for mobile devices. The ARC market for large panel displays is currently in the region of \$800 million per year, and continues to grow. We believe that this growth will be significantly enhanced in the coming years by the need to get ARCs on phones, tablets and other mobile devices.

The coatings are wet-coat formulations using nanoparticle technology applied through roll-to-roll techniques onto the film that becomes the outer layer of the display screen. Existing market leading technologies have demonstrated a performance of 1.0% reflection. Similar ARC coatings using the VISARC™ technology has shown that reflection can be reduced to 0.3% whilst maintaining other performance properties - a significant improvement on the current market leader.

Board changes

As we had previously communicated, on 22 February 2011 our Managing Director, Dr Mike Eason, gave notice to leave the Group and he resigned on 29 March 2011. On the same day Mike Edwards joined the Board as Sales and Marketing Director. I took up the role of Chairman on 17 October 2011. I would like to thank Mike Bretherton for his work as Chairman prior to that, and for his continued advice and support having returned to the role of non-executive Director. We are currently in the process of recruiting a new Chief Executive Officer to steer the Group through commercialisation and technology scale-up, and I hope to be able to release news about this key appointment later in the year.

Resources

At the end of 2011 employee numbers, excluding non-executive Directors, stood at 18, of which 15 were focused 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 account management resources.

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

Outlook

In conjunction with our technological developments, we are actively seeking to improve our visibility in the investment community and improve the liquidity of our shares. To this end we have appointed a new broker and NOMAD. We hope that this, along with continued news flow, will better communicate our story and the opportunity we present to current and new investors.

Following a commercial agreement we expect our VISARC™ technology to complete development and therefore to manufacture and deliver sufficient scale of particle to start mass manufacture at the customers' facilities within six to 12 months. For our Onto™ chemistry applications a longer development will be required before first royalty bearing product launch due to the need for specific formulation design, scaled manufacturing, and completion of local and specific market regulatory clearance. We expect combinations of development and advanced licence fees to supplement our expenditure before actual commercial product launch.

We anticipate continued progress in commercial and technical development throughout 2012 and a clear demonstration of our move towards successful establishment in our key markets.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2011**

	Notes	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
CONTINUING OPERATIONS			
Revenue	3	19	259
Cost of sales		(150)	(197)
GROSS (LOSS)/PROFIT		(131)	62
Research and development costs		(1,041)	(913)
Other administrative costs		(767)	(735)
Share based payments		-	(235)
Total administrative costs		(1,808)	(1,883)
LOSS FROM OPERATIONS		(1,939)	(1,821)
Finance income		153	187
LOSS BEFORE TAX		(1,786)	(1,634)
Income tax credit		145	67
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	4	(1,641)	(1,567)
Loss per share attributable to the equity holders of the Company:			
Total and continuing:			
- Basic and diluted		(0.84)	(0.81)

**CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Group		Company	
	31 December 2011 £'000	31 December 2010 £'000	31 December 2011 £'000	31 December 2010 £'000
ASSETS				
NON-CURRENT ASSETS				
Investments	-	-	20,650	20,661
Intangible assets	339	256	-	-
Plant and equipment	247	224	2	4
Loan to subsidiaries	-	-	3,910	2,547
	586	480	24,562	23,212
CURRENT ASSETS				
Stocks	1	10	-	-
Trade and other receivables	334	360	120	159
Short-term investments and cash and cash equivalents	5,805	7,480	5,767	7,465
	6,140	7,850	5,887	7,624
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	177	150	51	42
NET CURRENT ASSETS	5,963	7,700	5,836	7,582
LIABILITIES				
NON-CURRENT LIABILITIES				
Provisions	10	-	-	-
NET ASSETS	6,539	8,180	30,398	30,794

SHAREHOLDERS EQUITY				
Called up share capital	1,957	1,957	1,957	1,957
Share premium	10,423	10,423	10,423	10,423
Merger reserve	6,369	6,369	18,669	18,669
Reverse acquisition reserve	(6,831)	(6,831)	-	-
Retained earnings	(6,277)	(4,636)	(1,549)	(1,153)
Share based payments reserve	898	898	898	898
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6,539	8,180	30,398	30,794

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 December 2011

	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 2010	1,856	10,423	6,369	(6,831)	(5,505)	3,099	9,411
Total comprehensive loss for the year to 31 December 2010	-	-	-	-	(1,567)	-	(1,567)
Shares issued on option exercise - cash consideration	101	-	-	-	-	-	101
Exercise of options - share based payments	-	-	-	-	2,436	(2,436)	-
Share based payments	-	-	-	-	-	235	235
At 31 December 2010	1,957	10,423	6,369	(6,831)	(4,636)	898	8,180
Total comprehensive loss for the year to 31 December 2011	-	-	-	-	(1,641)	-	(1,641)
At 31 December 2011	1,957	10,423	6,369	(6,831)	(6,277)	898	6,539

COMPANY STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 December 2011

	Share Equity £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000	Share Based Payment Reserve £'000	Total Equity £'000
At 1 January 2010	1,856	10,423	18,669	(3,184)	3,099	30,863
Total comprehensive loss for the year to 31 December 2010	-	-	-	(405)	-	(405)
Shares issued on option exercise - cash consideration	101	-	-	-	-	101
Exercise of options - share based payments	-	-	-	2,436	(2,436)	-
Share based payments - subsidiary companies	-	-	-	-	80	80
Share based payments	-	-	-	-	155	155
At 31 December 2010	1,957	10,423	18,669	(1,153)	898	30,794
Total comprehensive loss for the year to 31 December 2011	-	-	-	(396)	-	(396)
Share based payments - subsidiary companies	-	-	-	-	(11)	(11)
Share based payments	-	-	-	-	11	11

CONSOLIDATED AND COMPANY CASHFLOW STATEMENTS
YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	Year to 31	Year to 31	Year to 31	Year to 31
	December	December	December	December
	2011	2010	2011	2010
	£'000s	£'000s	£'000s	£'000s
Loss before tax	(1,786)	(1,634)	(396)	(405)
Depreciation and amortisation charges	144	122	2	1
Write-off of intangible assets	22	-	-	-
(Profit)/loss on disposal of plant and equipment	(1)	4	-	-
Share based payment expense	-	235	11	155
Finance income	(153)	(187)	(153)	(187)
	(1,774)	(1,460)	(536)	(436)
Decrease/(increase) in stocks	9	(4)	-	-
Decrease/(increase) in trade and other receivables	53	(40)	22	(11)
Increase/(decrease) in trade and other payables	27	(25)	9	(18)
Cash outflow from operations	(1,685)	(1,529)	(505)	(465)
Income tax received	101	98	-	-
Net cash outflow from operating activities	(1,584)	(1,431)	(505)	(465)
Cash flows from investing activities				
Proceeds from sale of plant and equipment	4	4	-	-
Purchase of intangible assets	(124)	(39)	-	-
Purchase of plant and equipment	(141)	(140)	-	(5)
(Increase) in short term investments	(104)	(1,146)	(104)	(1,146)
Interest received	170	207	170	207
Net cash inflow from investing activities	(195)	(1,114)	66	(944)
Net cash from financing activities				
Share issue	-	101	-	101
Repayment of loan from subsidiary	-	-	-	(58)
Outflow from loan to subsidiary	-	-	(1,363)	(1,024)
Net cash inflow/(outflow) from financing activities	-	101	(1,363)	(981)
(Decrease)/increase in cash and cash equivalents	(1,779)	(2,444)	(1,802)	(2,390)
Cash and cash equivalents at beginning of year	2,334	4,778	2,319	4,709
Cash and cash equivalents at end of year	555	2,334	517	2,319
Short term investments	5,250	5,146	5,250	5,146
Short-term investments and cash and cash equivalents	5,805	7,480	5,767	7,465

NOTES TO THE FINANCIAL STATEMENTS
Annual Report 2011

1 CORPORATE INFORMATION

Oxford Advanced Surfaces Group plc (OAS) is a unique research and development company that provides multinational industrial corporations with intellectual property solutions and associated materials as a 'tool kit' to create engineered surface coatings and advanced materials.

OAS is the supplier of Onto™ and VISARC™ technology and materials.

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

2 BASIS OF PREPARATION

These 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 Group and Company's functional currency is Sterling.

3 SEGMENTAL REPORTING

Following the Group's focus on its leading technologies, the Board is of the opinion that the business operates two distinct reportable operating segments. These are as follows:

- The Reactive Chemistry segment is focussed on developing and licensing novel Onto™ chemistry that provides advances in cross-linking, adhesion and surface modification leading to new and advanced materials and material solutions. Included within this segment are:
 - Onto™ SM compounds - single molecule compounds used for surface functionalisation
 - Onto™ XL compounds - cross-linking, polymer based compounds used for surface functionalisation and inter-layer adhesion
- 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.
 - VISARC™ Anti-Reflective Coatings projects sit within this segment.

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 are regularly reviewed by the Board of Directors.

Segment performance is measured by reference to revenue, cost of sales, research and development costs and segment loss before tax. Administrative costs, financing and income tax are managed centrally and are not allocated to segments. Assets and liabilities are not measured or assessed on a segment basis.

2011	Reactive Chemistry £'000	Particle Technologies £'000	Corporate unallocated £'000	Year to 31 December 2011 £'000
Revenue				
Fee paying agreements	-	19	-	19
Grants	-	-	-	-
Total Revenue	-	19	-	19
Cost of sales	(58)	(92)	-	(150)
Research and development costs	(419)	(622)	-	(1,041)
Corporate unallocated	-	-	(614)	(614)
Segment loss before tax	(477)	(695)	(614)	(1,786)

The corporate unallocated loss before tax includes other administrative costs of £767,000 and share based payments of £nil offset by interest income at £153,000. Within particle technologies, the revenue from fee paying agreements represents income from two customers, both representing more than 10% of the income. Reactive chemistry secured no revenue or grant income for the period under review.

2010	Reactive Chemistry £'000	Particle Technologies £'000	Corporate unallocated £'000	Year to 31 December 2010 £'000
Revenue				
Fee paying agreements	86	90	-	176
Grants	64	19	-	83
Total Revenue	150	109	-	259
Cost of sales	(64)	(133)	-	(197)
Research and development costs	(557)	(356)	-	(913)
Corporate unallocated	-	-	(783)	(783)
Segment loss before tax	(471)	(380)	(783)	(1,634)

The corporate unallocated loss before tax includes other administrative costs at £735,000 and share based payments at £235,000 offset by interest income at £187,000. Within particle technologies, the revenue from fee paying agreements represents income from one customer. Reactive chemistry fee paying agreements include income from two separate customers, both representing more than 10% of the income.

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. The business is not considered to be seasonal.

4 LOSS BEFORE TAX

Loss before tax is stated after charging	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Research and development costs	1,041	913
Share based payments	-	235
Depreciation of property, plant and equipment - owned	125	105
Write-off of intangible assets - patents	22	-
Amortisation of intangible assets - patents	19	17
Auditor's remuneration		
Fees payable to the Company's auditor for audit of the parent and consolidated accounts	11	15
- The audit of the Company's subsidiaries pursuant to legislation	13	20
- Tax services	7	12

5 POST BALANCE SHEET EVENTS

On 3 January 2012 27,000 options were issued to various staff members as part of the Group's reward and retention policy. The options were issued at the market price of 7.75 pence per share and vest 3 years from the date of issue. There are no performance conditions attached to the options and they expire ten years from the date of issue.

6 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 31 December 2011 or 31 December 2010.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 December 2011 and 31 December 2010. The auditors' opinion on those accounts was unmodified and did not contain a statement under section 498 (2) or section 498 (3) Companies Act 2006 and did not include references to any matters to which the auditor drew attention by the way of emphasis.

The statutory accounts for the year ended 31 December 2010 have been delivered to the Registrar of Companies, whereas those for the year ended 31 December 2011 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

7 ANNUAL REPORT AND ANNUAL GENERAL MEETING

The Annual Report will be available from the Company's website www.oxfordsurfaces.com from 25 April 2012 and will be posted to shareholders on or around 2 May 2012. The Annual Report contains notice of the Annual General Meeting of the Company which will be held at the Blenheim Room, The Farmhouse, Begbroke Science Park, Begbroke Hill, Woodstock Road, Begbroke OX5 1PF on 29 May 2012 at 10.30 a.m.

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