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OXFORD ADVANCED SURFACES

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Oxford Advanced Surfaces is pleased to announce its result for the year to 31 December 2010.

Highlights:-

- **First three technologies successfully validated during 2010.**
- **Group Revenue to 31 December 2010 was £259,000 (2009 £383,000).**
- **Loss before tax to 31 December 2010 was £1, 634.000 (2009 £1,854.000).**
- **£7,480,000 held in instant access and term deposits specifically for developing and commercialising the company's technology.**
- **The net cash outflow from operations amounted to £1,529,000 (2009 £1,200,000).**
- **Research and development costs increased to £913,000 (2009 £773,000) driven by the additional investment required in both VISARC™ and Onto™ Surface Functionalisation and Cross Linking technologies to make them customer ready for final development and licence.**
- **Following a commercial agreement it expects the VISARC™ technology to require up to 12 months of further development for each specific application before first commercial product is available on the market through the licensor.**
- **For the Onto™ chemistry applications a further development of up to 30 months may be required before first product launch due to the need for specific formulation design, scaled manufacturing, and completion of local and specific market regulatory clearance.**
- **The Company fully expects 2011 to offer commercial validation of these products with newsflow occurring throughout 2011.**

Michael Bretherton, Chairman commented on the outlook for the Group,

"The progress from research into commercialisation continues, and the in-situ technology validations we have completed move us closer to our first commercial deal. Whilst the economic environment remains challenging, we have had the time to further develop out technologies and ready them for license. We have a solid balance sheet which is sufficient to take our technology through to commercialisation. 2011 looks to be a year of opportunity for OAS."

The full accounts will be posted to the Company's website shortly - www.oxfordsurfaces.com

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30 March 2011

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Chairman's Statement

This is my second report to shareholders as the Chairman of Oxford Advanced Surfaces Group plc. It has been a year of technical successes, but some commercial disappointment. The continued economic downturn has made the business environment particularly tough, especially for start-up businesses such as ours seeking a foothold with new technologies.

At the end of last year we were confident that during 2010 we would sign our first commercial deals for our leading technologies. It is disappointing to report that we were not able to deliver on this expectation. The result of the economic climate has led to many major industrial companies cutting expenditure, and in particular sacrificing external development programmes. In our experience those that are still engaged in external development require an added level of confidence in new technologies and as such require significantly more from the developer in terms of product readiness. This has required an additional period of validation and development in-house, where at this stage we had expected that much of this work would have happened in conjunction with a licensee.

This has lengthened our development timeline and delayed our ability to deliver commercial deals. However, on the upside, the result is we have been able to significantly improve our expertise in our chosen markets.

Most importantly we have also undertaken a number of trials with potential licensees that have validated our technologies and thus moved us closer to the commercial deals we are seeking. A number of these trials have taken place with potential licensees, in their labs. This provides third party confirmation that our technologies are delivering the desired results providing solutions to the industrial problems we are tackling in the markets we have chosen.

We have also undertaken a review of the business and determined that it is now appropriate to report our business under two segments, based on how the Managing Director reviews the business. The first is reactive chemistry, which is based on our OntoTM research, and the second is particle technologies. We have multiple, related, research projects running under each segment.

The technology solutions we are currently marketing are threefold. One is based on our particle technologies research and is VISARCTM Anti-Reflective Coatings. This is a powerful market changing technology that presents a real substitute to current technologies, but with far lower processing costs and simpler application techniques. The other two related technologies are based on the OntoTM reactive chemistry - Cross-Linking Technologies and Surface Functionalisation. These are both focussed on the electronics industry and provide solutions to construction and processing problems that allow the commercialisation of new devices at acceptable prices. A full review of the technologies and opportunities are presented in the Managing Director's report.

At the end of 2010 employee numbers, excluding non-executive directors, had risen from 17 to 19, of which 15 were focused on research and development programmes. 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.

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 both a new broker and a financial public relations company. We hope that this, along with continued news flow, will better communicate our story and the opportunity we present to current and new investors.

Board changes

On 22 February 2011 our current Managing Director, Dr Mike Eason, gave notice to leave the company and he will resign from the Board later today 29 March 2011. Mike's technical skills and commercial background have proved valuable in taking the company forward to a stage where it has achieved independent technical validation of its key technologies and I thank him for his contribution to the group.

In addition, I am pleased to announce that Mike Edwards will join the Board later today 29 March 2011 in the position of Sales and Marketing Director. Mike has been working as a senior executive and the manager of the sales and marketing function for the group since August 2008.

Mike has a long history of developing sales growth in technology companies. After ten years as General Manager of Toshiba Semiconductor Europe he has led the global sales and marketing functions in start-up companies such as Antenova and SMART Modular, and continues to bring invaluable experience to the Company in the sales and marketing arena. Mike is a Chartered Engineer, has a BSc in Electronics and also holds an MBA.

Outlook

The progress from research into commercialisation continues, and the in-situ technology validations we have completed move us closer

to our first commercial deal. Whilst the economic environment remains challenging, we have had the time to further develop our technologies and ready them for license. We have a solid balance sheet which is sufficient to take our technology through to commercialisation. 2011 looks to be a year of opportunity for OAS.

I would like to thank all our employees for their dedication and hard work which have made possible the continued technical and commercial progress in 2010 and has created a strong foundation for our first commercial deals in 2011.

Michael Bretherton

Chairman

29 March 2011

Managing Director's Review

Introduction

2010 has been a year of validation for Oxford Advanced Surfaces Group plc (OAS). At the outset our focus was the development of products addressing specific, well defined, unmet needs in the pursuit of our first commercial licenses. Our conviction was, and remains, to identify solutions for markets that are fast to adopt new technologies, that are receptive to licensing models and where OAS can quickly establish market credibility.

Strategy

In 2009 we focussed our pipeline to address three specific markets; optical coatings, advanced adhesives and composite materials. Through 2010 we have focussed these technologies further still to develop technologies for specific high value applications within these markets.

We prioritised our VISARC™ Anti-Reflective Coating for eyewear with further internal work continuing for display screens and solar cells. In reactive chemistry we focussed on applications in printed electronics. Our Onto™ technology platform has been focussed for both adhesion and surface functionalisation to the printed electronics market. Development of Onto™ Surface Functionalisation for composite materials continues in-house.

Our focus on the eyewear and printed electronics markets has enabled us to establish credibility with leading players and to validate industry needs where OAS technology can offer step change performance. This enhanced market awareness in 2010 led to three notable successes within our business segments:

Particle technologies

- Our VISARC™ Anti-Reflective Coating was applied and tested at the facilities of two industry leading target licensees within the eyewear market. VISARC™ passed the demanding industry requirements for scratch and abrasion resistance and for optical quality which are the pre-requisites for market launch.

Reactive chemistry

- Our Onto™ Cross-Linking Technologies for flexible printed electronics was developed and tested in collaboration with the UK Printable Electronics Technology Centre (PETEC) where it was used to laminate the most desirable plastics needed to manufacture an organic thin film transistor (OTFT) array. Crucially we believe that Onto™ Cross-Linking is the first technology to produce a printed OTFT array that can be flexed with no delamination.
- Our Onto™ Surface Functionalisation chemistry was successfully tested with a target licensee for its ability to improve controlled targeting and production efficiencies for the printing of electronically conducting materials onto plastic surfaces.

Whilst revenue has fallen marginally year on year, this is a natural consequence of our decision to focus development internally on fewer, bigger impact projects where we have a validated understanding of the market needs.

The explicit benefit of internal, self-funded, development is the complete ownership of all arising Intellectual Property (IP). Full ownership of IP enables us to offer technology for license to competing parties within a market to enable a premium value to be realised.

The delay of our first commercial license deals in 2010 is a direct consequence of the significantly risk adverse market conditions driven by the economic climate. Most industrial companies have cut expenditure with the majority choosing to sacrifice external programmes including development, or to de-risk development programmes, requiring a heightened degree of product readiness from their development partners before making financial commitments.

The effect on OAS has been a need to continue to develop our technology proposition for customers further than first anticipated. This has lengthened our development time line, however, the benefit was to establish a high level of credibility in our two most advanced markets: printed electronics and eyewear. The key message that I wish to convey is that each and every one of the programmes that we focussed on in 2010 delivered the technical performance that we set as our goal. In 2011 we will continue our development of these products to the satisfaction of our target licensees to enable commercial commitment to be reached for these products

Commercial Development

VISARC™ Anti-Reflective Coatings

Just 20% of all corrective vision lenses sold globally have anti-reflective coatings (ARC) specified. The market is forecast to grow by c. 12% per annum through to 2015 driven by shorter replacement cycles for eyewear and the aging population.

Current state of the art technology using Physical Vapour Deposition (PVD) is complex and costly making it prohibitive for local finished product supply to take place. Customers who specify an ARC can wait up to ten days for their corrective vision spectacles, whereas without ARC a same day service is typically available. The lack of same day local supply for ARC treated lenses is a critical barrier to

wider adoption.

A simple and low capital cost application technology to apply an anti-reflective coating that matches PVD performance has been the desire of the eyewear industry for many years.

Corrective vision lenses without ARC are typically manufactured at a laboratory (RX lab) that is local to the optician. The RX lab shapes the lens to meet the prescription and then applies a hard coat lacquer to render the surface scratch resistant. The equipment to add the hard coat lacquer is affordable at a local store level, typically starting at around £50,000. Conversely the cheapest equipment available to apply a PVD ARC is around £400,000 making it uneconomic to local RX labs. As a result orders for lenses with ARC are not typically made and supplied locally; instead an order is placed directly with a major lens manufacturer with in-house PVD equipment. This bespoke manufacture from a centralised location adds both time and complexity to the process of delivering a finished product to a customer.

Previous technologies have attempted to fill this gap in the market through the development of a wet coat ARC that can be applied in RX labs using similar application equipment (i.e. cheap and easy to adopt) to the hard coat. In every instance these have failed due to inferior durability or optical performance compared to the incumbent PVD technology.

VISARC™ Anti-Reflective Coating technology addresses these deficiencies. Uniquely VISARC™ technology uses existing hard coats blended with co-ingredients producing a proprietary ARC coating that is as durable as the original hard coat. The VISARC™ coating can be integrated into either local RX labs, adopting low capital cost equipment, or into high volume manufacture, as the application method is the same as used to produce the existing semi-finished lenses. The VISARC™ technology can also be transferred into other mass manufacture eyewear applications such as sunglasses, which represents a significant further opportunity.

VISARC™ Anti-Reflective Coating technology offers a highly compelling substitute to PVD whilst enabling adoption at local RX labs and giving access to significantly lower capital costs for high volume applications.

The VISARC™ Anti-Reflective Coating pipeline is:

- Eyewear (prescription/non-prescription, protection);
- Display screens (TV, lap tops, tablets, mobile); and
- Solar cells.

Onto™ Cross-Linking Technology

Flexible display screens are now a focus of development for the electronics sector. The success of e-readers and tablets has demonstrated the consumer appetite for portable technology. However, the dream of many is to have a product that acts like paper that you can simply roll or fold up. The flexible display screen is the answer.

To make a flexible display requires a solution to a specific engineering challenge. A display screen is made up of layers of different components; plastic interlayers, a transistor array, the screen (pixels) of the display itself and an outer protective coating. These all need to be bonded together to allow the layers to stretch and compress as the screen is flexed without delaminating; effectively coming unstuck. Conventional display materials and technology are not suitable to meet this challenge.

In 2010 OAS successfully completed a two and half year programme of work funded by the Technology Strategy Board, with the Printable Electronic Technology Centre (PETEC) and the University of Manchester Organic Materials Innovation Centre (OMIC), to solve the bonding issue for the manufacture of a flexible display, specifically a flexible organic thin film transistor (OTFT) array. Together we have developed both a suitable bonding material and the precision printing process it requires to enable the reliable manufacture of a flexible OTFT array.

Our Onto™ Cross-Linking Technology provides a solution that is capable of bonding the various layers in the device together to withstand delamination in use. We are now working with our partners to market and sell the solution to the global electronics industry.

Onto™ Surface Functionalisation

Continuous printing processes are highly desirable in the electronics sector as a replacement for costly batch manufacturing processes. These processes enable electronic circuits and components to be printed down onto plastic layers akin to how ink is printed onto paper using a conventional inkjet printer, although the process is more specialised.

One of the recurrent challenges to make this a reality is how to control the droplets of conductive material that are printed to ensure they stay where they are put and don't cause short-circuits or product failure. The conductive materials used for printing and the inert plastic surfaces are typically incompatible and this can lead to unwanted mobility of the printed material on the surface.

During 2010 OAS worked with a leading electronics company using Onto™ Surface Functionalisation to treat plastic substrates such that the conductive materials are controlled on the surfaces of the plastic layers.

The initial Onto™ Surface Functionalisation pilot trials have been successful and we are now actively marketing the solution to potential customers.

Resources

Overall, staff numbers have increased slightly year on year, although costs have reduced due to the change in staff mix. Our focus on key markets has enabled OAS staff to build a strong understanding of the requirements of our chosen technologies, sufficient to run successful trials in the laboratories of our major target licensees.

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

Outlook

We believe we have successfully validated our first three technologies during 2010.

Following a commercial agreement we expect our VISARC™ technology to require up to 12 months of further development for each specific application before first commercial product is available on the market through the licensor. For our Onto™ chemistry applications a further development of up to 30 months may be required before first product launch due to the need for specific formulation design, scaled manufacturing, and completion of local and specific market regulatory clearance.

We fully expect 2011 to offer commercial validation of these products with news flow occurring throughout 2011.

Mike Eason

Managing Director
29 March 2011

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2010

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
CONTINUING OPERATIONS		
Revenue	259	383
Cost of sales	(197)	(110)
GROSS PROFIT	62	273
Research and development costs	(913)	(773)
Other administrative costs	(735)	(860)
Share based payments	(235)	(816)
Total administrative costs	(1,883)	(2,449)
LOSS FROM OPERATIONS	(1,821)	(2,176)
Finance income	187	322
LOSS BEFORE TAX	(1,634)	(1,854)
Income tax credit	67	247
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,567)	(1,607)
Loss per share attributable to the equity holders of the company:		
Total and continuing:		
- Basic and diluted	(0.81)	(0.87)

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 2010 was £405,000 (2009: £859,000).

There were no items of other comprehensive income for the year to 31 December 2010 or 2009 and therefore the loss for the year is also the total comprehensive loss for the year net of tax.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

For The Year Ended 31 December 2010

	Group		Company	
	31 December 2010 £'000	31 December 2009 £'000	31 December 2010 £'000	31 December 2009 £'000
ASSETS				
NON-CURRENT ASSETS				
Investments	-	-	20,661	20,581
Intangible assets	256	234	-	-
Property, plant and equipment	224	197	4	-

Loan to subsidiaries	-	-	2,547	1,523
	480	431	23,212	22,104
CURRENT ASSETS				
Stocks	10	6	-	-
Trade and other receivables	360	371	159	168
Short-term investments and cash and cash equivalents	7,480	8,778	7,465	8,709
	7,850	9,155	7,624	8,877
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	150	175	42	60
NET CURRENT ASSETS	7,700	8,980	7,582	8,817
LIABILITIES				
NON-CURRENT LIABILITIES				
Loan from subsidiaries	-	-	-	58
NET ASSETS	8,180	9,411	30,794	30,863
SHAREHOLDERS EQUITY				
Called up share capital	1,957	1,856	1,957	1,856
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	(4,636)	(5,505)	(1,153)	(3,184)
Share based payments reserve	898	3,099	898	3,099
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8,180	9,411	30,794	30,863

The financial statements were approved by the board of directors and authorised for issue on 29 March 2011 and were signed on its behalf by:

Dr Mike Eason ; **Philip Spinks**
 Director 60; Director

CONSOLIDATED AND COMPANY CASHFLOW STATEMENTS
For The Year Ended 31 December 2010

	Group		Company	
	Year to 31 December 2010 £'000s	Year to 31 December 2009 £'000s	Year to 31 December 2010 £'000s	Year to 31 December 2009 £'000s
Loss before tax	(1,634)	(1,854)	(405)	(859)
Depreciation and amortisation charges	122	95	1	-
Loss on disposal of property, plant and equipment	4	-	-	-
Share based payment expense	235	816	155	736
Finance income	(187)	(322)	(187)	(322)
	(1,460)	(1,265)	(436)	(445)
(Increase)/decrease in stocks	(4)	7	-	-
(Increase)/decrease in trade and other receivables	(40)	150	(11)	(7)
(Decrease)/Increase in trade and other payables	(25)	(92)	(18)	2
Cash outflow from operations	(1,529)	(1,200)	(465)	(450)
Income tax received	98	115	-	-
Net cash outflow from operating activities	(1,431)	(1,085)	(465)	(450)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	4	-	-	-
Purchase of intangible assets	(39)	(62)	-	-
Purchase of property, plant and equipment	(140)	(84)	(5)	-
Decrease/(increase) in cash placed on	1,702	(4,000)	1,702	(4,000)

deposit	1,702	(4,000)	1,702	(4,000)
Interest received	207	348	207	348
Net cash inflow from investing activities	1,734	(3,798)	1,904	(3,652)
Net cash from financing activities				
Share issue	101	-	101	-
Repayment of loan from subsidiary	-	-	(58)	(343)
Outflow from loan to subsidiary	-	-	(1,024)	(458)
Net cash inflow/(outflow) from financing activities	101	-	(981)	(801)
(Decrease)/increase in cash and cash equivalents	404	(4,883)	458	(4,903)
Cash and cash equivalents at beginning of year	4,778	9,661	4,709	9,612
Cash and cash equivalents at end of year	5,182	4,778	5,167	4,709
Short term investments	2,298	4,000	2,298	4,000
Short-term investments and cash and cash equivalents	7,480	8,778	7,465	8,709

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

Notes to the Financial Statements

Annual Report 2010

1 Corporate information

Oxford Advanced Surfaces Group plc ("the company") and its subsidiaries (together "the group") provide multinational industrial corporations with intellectual property (IP) solutions as a 'tool kit' to create engineered surface coatings and advanced materials. Our Onto™ chemistry platform provides everything needed to create innovative products through the transformation of commodity industrial materials, and by opening new markets for the most desirable advanced materials.

OAS is the intellectual property (IP) supplier of Onto™ technology. Onto™ was first developed in the University of Oxford Chemistry Department and is a proprietary technology that uniquely reacts with almost anything.

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 consolidated 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.

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 2.3.5.

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 2009 which included implementation of the improvements to IFRSs issued in May 2008 and April 2009, except for the re-assessment of reportable operating segments as explained further in note 3. There are no new standards and interpretations to be adopted in these financial statements.

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 managing director's review and the directors' report. 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.

2.3 Summary of significant accounting policies

2.3.1 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.

2.3.2 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.

2.3.3 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.

The costs of an internally generated intangible asset comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee (other than directors) costs incurred on technical development, testing and certification, materials consumed and any relevant third party costs. The costs of internally generated developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date which includes the progress with third party pilot plants, testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are continuously monitored by the directors.

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

2.3.4 Patents and licenses

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

2.3.5 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.

Reverse acquisition accounting

The combination in 2007 was accounted for as a reverse acquisition as if Oxford Advanced Surfaces Limited acquired Oxford Advanced Surfaces Group Plc. There are a number of judgemental factors to be considered for a combination to be deemed a reverse acquisition. Although these group financial statements have been issued in the name of the legal parent, the directors consider that the group's activity is in substance a continuation of that of the legal subsidiary, Oxford Advanced Surfaces Limited, because after the transaction the former Board of Oxford Advanced Surfaces Limited were deemed to have control of the group and of the legal parent. For this key reason, reverse acquisition accounting has been applied.

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. In considering

potential impairment of investments in subsidiaries, the group estimates the fair value less costs to sell of subsidiaries based on either the net present value of future cashflows, or the net assets at the review date.

Share based payments

Employee and director compensation in the form of shares are provided under share option schemes. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The selection of different assumptions could affect the future results of the group.

All share-based payment arrangements granted that had not vested prior to 31 December 2010 are recognised in the group financial statements.

3 SEGMENTAL REPORTING

Following the group's focus on its leading technologies, the chief decision maker is of the opinion that the business operates two distinct reportable operating segments, effective from 1 January 2010. 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™ Cross-Linking Technology
 - Onto™ Surface Functionalisation (printed electronics and composites)
- 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.

				Year to 31
	Reactive chemistry	Particle technologies	Corporate unallocated	December 2010
	£'000	£'000	£'000	£'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)
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.

				Year to 31
	Reactive chemistry	Particle technologies	Corporate unallocated	December 2009
	£'000	£'000	£'000	£'000
Revenue				
Fee paying agreements	142	-		142
Grants	160	81		241
Total Revenue	302	81		383
Cost of sales	(50)	(60)		(110)
Research and development costs	(495)	(278)		(773)
Segment loss before tax	(243)	(257)	(1,354)	(1,854)

The corporate unallocated loss before tax includes other administrative costs at £860,000 and share based payments at £816,000 offset by interest income at £322,000. Within reactive chemistry fee paying agreements include income from six separate customers, only one of which represents more than 10% of the income.

No other information is currently presented to the managing director 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 business is not considered to be seasonal.

NOTICE OF AGM

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("Meeting") of **Oxford Advanced Surfaces Group plc** (the "Company") will be held at the offices of Charles Russell LLP, 7600 The Quorum, Oxford Business Park North, Oxford OX4 2JZ on 31 May 2011 at 10.30 a.m.

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