



OXFORD ADVANCED SURFACES GROUP PLC

(AIM: OXA)

Half Year results for the period ended 30 June 2014

Oxford Advanced Surfaces Group ("OAS") the AIM listed technology developer which designs, develops and manufactures proprietary technology solutions to create engineered materials and address surface modification applications across many markets, including automotive, aerospace, communications, electronics, energy and packaging announces its half year results for the period ended 30 June 2014.

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Joint Chairman and Chief Executive's Statement

The Group has continued to make good technical and commercial progress in the six months to 30 June 2014. The focus on our core Onto™ technology, along with launching our evaluation products, has delivered results both in terms of cash management and commercial progress.

We have now sold commercial product to two companies; one being an industrial coatings user and the other a championship-winning Formula 1® constructor. We are delighted that we are now able to demonstrate the power of our chemistry in these market sectors. Although these sales are relatively small one-off purchases we believe that additional orders will follow and that this will lead to continued success with further companies adopting our products. There are multiple paid-for evaluation packs currently under assessment by customers in our target sectors and we hope to convert a number of these over the coming months.

The business has also operated with a significantly lower cost base which has ensured that we have maintained our available cash whilst still delivering on our commercial goals. More information is available in the Financial Results section of this review.

Strategic Review

Oxford Advanced Surfaces Limited

During the period since our last report, the Board has been considering the long-term future of the current operating business, Oxford Advanced Surfaces Limited ("OASL"). While still firmly of the view that OASL will be commercially successful, the Board's conclusion has been that operating OASL from within a listed group, with the associated costs and regulation attached to an AIM listing, does not offer the best means of achieving that success.

Accordingly, the Board has been exploring means by which OASL can be moved to management independent of the PLC while seeking independent funding for OASL.

It is currently proposed that new shares in OASL be offered to potential investors including current management and existing investors in the PLC, whilst leaving the PLC with no less than 75% of the overall shareholding of OASL. If this restructure is approved by the Board, OASL is expected to establish its own board of directors, comprising existing PLC directors and investor representatives, whose purpose will be to manage the day to day operations of the OASL business. The PLC itself is not anticipated to have any on-going funding commitment to OASL; should OASL require additional financing it will seek these funds independently.

If the Board approves this proposed restructure (which, if approved, is anticipated to complete within the next few weeks) the Board's membership will change to reflect the revised group structure. The current expectation is that the PLC Board will retain two non-executive directors in the form of James Ede-Golightly as the Chairman and Philip Spinks. At the same time it is anticipated that the OASL Board will be re-constituted to include Dr Peter Rowley as the non-executive Chairman, Philip Spinks as the Chief Executive and two additional non-executive directors comprising Dr David Bott and Mark Reilly.

Going forward, the Group's goal remains to maximise shareholder value. It will continue to consider the best way to achieve this in relation to its investment in OASL, whether that is through a sale, a distribution to shareholders or some other route. In addition the PLC will consider all strategic options regarding how best to utilise the cash it will retain post the proposed transaction.

It is anticipated that the PLC will change its name at the next Annual General Meeting to reflect its change in strategy.

Oxford Energy Technologies Limited

Following the suspension of further investment in our VISARC™ technology last year, the Board has concluded that there is very limited opportunity for the Group to generate any ongoing value in anti-reflection products. The Group would need to commit significant resources to achieve any value, and the likelihood of success is believed to be low in a highly competitive market place that is dominated by a small number of significant players. The Board continues to assess the possibilities of using this technology for other applications. The investment in this technology was fully impaired at December 2013 and there has been no change up to June 2014. The remaining VISARC™ know-how and patents, as part of Oxford Energy Technologies Limited, will be transferred to OASL as part of the proposed transaction.

Onto™ Technology Offering

The EP1000 series of Onto™ based surface treatments provides manufacturers with versatile bonding solutions for engineering plastics, thermoplastic composites, carbon-based materials and other difficult-to-bond substrates. EP1000 products primarily promote the adhesion of two-part polyurethane and epoxy-based coatings, inks and adhesives to the substrate. Onto™ adhesion promotion treatments can be integrated into existing manufacturing facilities for use in a wide range of applications. We are also well prepared for scale manufacture.

We have expanded our evaluation products to allow testing via dip and brush coating techniques. In addition our product is suitable for oven, hot air or infra-red curing. We have further products in development that will allow application by spray coating and also reduced VOC formulations. We also plan to add a UV-curable system to the range. In time we should be able to provide products for a broader range of coatings, including acrylate coatings that are used extensively across many industries. We will continue to develop our work with carbon based materials such as graphene and nanotubes.

We have also made good initial progress with our Technology Strategy Board-funded development project with Sun Chemicals Limited. We are now 7 months into the 30 month programme. The project aims to create a novel radcure coating platform that can bring differentiation to ink-jet printable inks for the graphic signage and packaging market areas. The radcure coatings market is an area of significant growth and continues to gain popularity due to the fast cure times and environmentally friendly credentials the products offer. Success in the inkjet market will lead to further exploitation in the graphic arts market and more broadly in other UV-curable coating markets.

Financial Results

Group revenue for the six month period ended 30 June 2014 was £19,000 (2013: £3,000). This was generated through the sale of evaluation and commercial products of £3,000 along with a further £16,000 from grant funding. The loss before tax for the six month period was £546,000 (2013: £932,000).

Research and development costs decreased from £412,000 to £276,000. Reactive Chemistry costs increased from £154,000 to £235,000 and those associated with Particle Technologies reduced from £250,000 to £34,000.

Interest from deposits for the period amounted to £12,000 (2013: £44,000). This reduction was driven by the lower cash balance and the lack of availability of attractive interest rates in the current financial market.

We continue to utilise the benefits from enhanced research and development tax credits and also seek available tax repayments under the Small and Large Company schemes. For the period to 30 June 2014 this credit amounted to £32,000 (2013: £75,000).

The Group has £2,227,000 of cash held on instant access and deposit. The overall cash position reduced by £533,000 during the six month period to 30 June 2014 (2013: £840,000). The cash outflow from operations amounted to £484,000 (2013: £869,000).

Outlook

The board and management team believe that the revised strategy and long term plans better positions both the PLC and OASL for future success.

We would like to take this opportunity to thank our shareholders for their continued support. We would also like to thank our committed staff who continue to work tirelessly to progress our technology to commercial success.

Philip Spinks
Chief Executive Officer

Dr Peter Rowley
Non-executive Chairman

29 August 2014
Company Number: 5845469

INTERIM CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Unaudited interim consolidated financial statements to 30 June 2014

Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
Unaudited	Unaudited	Audited

	£'000	£'000	£'000
Continuing Operations			
Revenue	19	3	3
Cost of sales	(17)	(90)	(1)
Gross profit/(loss)	2	(87)	2
Research and development costs	(276)	(412)	(969)
Other administrative costs	(284)	(477)	(1,029)
Operating loss	(558)	(976)	(1,996)
Finance income	12	44	65
Loss before tax	(546)	(932)	(1,931)
Income tax credit	32	75	142
Loss for the period and total comprehensive loss for the period	(514)	(857)	(1,789)
Loss per share attributable to the equity holders of the company:			
Total and continuing:			
- Basic and diluted (pence)	(0.26)	(0.44)	(0.91)

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 interim consolidated financial statements to 30 June 2014

	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
Assets			
Non-current assets			
Intangible assets	333	428	316
Plant and equipment	123	178	136
	456	606	452
Current assets			
Trade and other receivables	61	327	57
Corporation tax due	172		140
Short-term investments and cash and cash equivalents	2,227	3,464	2,760
	2,460	3,791	2,957
Liabilities			
Current liabilities			
Trade and other payables	136	153	120
Net Current Assets	2,324	3,638	2,837
Liabilities			
Non-current liabilities			
Provisions	10	10	10
Net Assets	2,770	4,234	3,279
Shareholders' equity			
Called up share capital	1,977	1,977	1,977
Share premium	10,603	10,603	10,603
Merger reserve	6,369	6,369	6,369
Reverse acquisition reserve	(6,831)	(6,831)	(6,831)
Retained earnings	(9,661)	(8,214)	(9,147)
Share-based payments reserve	313	330	308
Total equity attributable to equity holders of the Company	2,770	4,234	3,279

INTERIM CONSOLIDATED CASH FLOW STATEMENT
 Unaudited interim consolidated financial statements to 30 June 2014

	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
	Unaudited £'000s	Unaudited £'000s	Audited £'000s
Loss before tax	(546)	(932)	(1,931)
Depreciation and amortisation charges	58	64	129
Impairment of intangible assets	-	-	129
Loss/(profit) on disposal of plant and equipment	(1)	(1)	4
Share-based payment expense	5	60	39
Finance income	(12)	(44)	(65)
	(496)	(853)	(1,695)
Decrease/(increase) in trade and other receivables	(4)	(24)	6
(Decrease)/increase in trade and other payables	16	8	(25)
Cash outflow from operations	(484)	(869)	(1,714)
Income tax received	-	49	161
Net cash outflow from operating activities	(484)	(820)	(1,553)
Cash flows from investing activities			
Proceeds from sale of plant and equipment	-	-	1
Purchase of intangible assets	(30)	(48)	(81)
Purchase of plant and equipment	(31)	(35)	(47)
Decrease/(increase) in short-term investments	-	1,680	3,680
Interest received	12	63	138
Net cash inflow/(outflow) from investing activities	(49)	1,660	3,691
Net cash from financing activities			
Funds repaid on forfeiture of EBT jointly owned shares	-	-	(2)
Net cash inflow from financing activities	-	-	(2)
Increase/(decrease) in cash and cash equivalents	(533)	840	2,136
Cash and cash equivalents at beginning of year	2,760	624	624
Cash and cash equivalents at end of year	2,227	1,464	2,760
Short-term investments	-	2,000	-
Short-term investments and cash and cash equivalents	2,227	3,464	2,760

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.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A copy of these interim condensed consolidated financial statements will be available on the Group's website www.oxfordsurfaces.com

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

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