



science applied



Oxford Advanced
Surfaces Group plc

Interim Financial Report
for the period ending
30 June 2008

Contents

Company Information	2
Chairman's Statement	3
Consolidated Income Statement	5
Consolidated Statement of Changes in Shareholders' Equity	6
Consolidated Balance Sheet	7
Consolidated Cash Flow Statement	8
Notes to the Interim Financial Report	9

Company Information

EXECUTIVE DIRECTORS

M L Bravo (Chief Executive)
P G Spinks (Chief Financial Officer)

NON EXECUTIVE DIRECTORS

J P Scudamore
D R Norwood
M A Bretherton
Dr M G Moloney
Dr A J Naylor

SECRETARY

P G Spinks

REGISTERED NUMBER

05845469 (England and Wales)

REGISTERED OFFICE

Centre for Innovation & Enterprise
Begbroke Science Park
Sandy Lane
Yarnton, OX5 1PF

NOMINATED ADVISOR

Zimmerman Adams International Limited
New Broad Street House
35 New Broad Street
London, EC2 1NH

AUDITOR

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
2 Bloomsbury Street
London, WC1B 3ST

BROKER

Novum Securities Limited
Austin Friars House
2-6 Austin Friars
London, EC2N 2HD

REGISTRARS

Capita Registrars Ltd
Northern House
Woodsome Park
Fenay Bridge
Huddersfield, HD8 0GA

LEGAL ADVISORS

Fasken Martineau Stringer Saul LLP
17 Hanover Square
London, W1S 1HU

Chairman's Statement

I am delighted to report on your Group's performance for the six months to 30 June 2008 in this first Interim Financial Report since the successful reverse acquisition of Kanyon plc and the readmission to AIM as Oxford Advanced Surfaces Group plc.

Group revenue in the 6 month period ended 30 June 2008 was £84,000 compared to £55,000 for the six months to 30 June 2007. The loss before tax was £1,547,000 compared to £59,000. Excluding the non-cash share based payment cost attributable to share options of £929,000, the loss before tax for the period ended 30 June 2008 was £618,000 (period to 30 June 2007: £58,000). Research and development costs directed towards valuable and practical opportunities increased from £26,000 to £179,000.

Cash balances at 30 June 2008 amounted to £6.0 million and continue to be managed prudently, with tight cost controls. The balance sheet was further strengthened in August 2008 when the Company successfully raised an additional £5 million before expenses with the issue of 7,695,600 new ordinary shares at a price of £0.65. This placing was a great success especially considering the difficult market conditions at the time and underlines the strength of the company's technology and business plans.

The fundraising will enable the Group to take advantage of the many attractive development opportunities that are currently available. Good progress was made in the first half of the year with staff numbers growing from 7 to 15, the addition of some necessary extra laboratory space at our Oxford HQ and the recruitment of an experienced Commercial Director who will be responsible for the significant Electronics and Alternative Energy markets.

I am pleased to report that during the period a number of new Joint Development Agreements with major international customers, including DuPont Advanced Fibre Systems, were signed. We are now engaged in a wide range of projects with market leading collaborators targeted at potentially large and valuable global markets including flat screen displays, printed circuit boards, advanced materials and fast moving consumer goods.

We have also started to develop applications of the Onto™ technology for use in photovoltaic devices and solid state lighting and will be seeking appropriate development partners in the next few months.

In June 2008 the Group announced its involvement in an important collaborative research and development project with the University of Manchester's Organic Materials Innovation Centre and the Centre for

Chairman's Statement

Process Innovation Ltd (CPI), a project which is to be supported by over £600,000 of funding from the Technology Strategy Board over the next 24 months. The project brings together the Group's Onto™ technology with leading edge research and process development skills from Manchester and the CPI. The target market opportunities will include the field of plastic electronics, ranging from radio frequency identification (RFID) to printed photovoltaic devices.

The Board is confident that the successes of the first half of 2008 will continue and expect to progress a number of existing Joint Development Agreements to initial commercial projects with key industry players in our target markets and to conclude new Joint Development Agreements with leading companies in 2009.

I would like to thank all our staff for their commitment and hard work which has allowed us to make excellent progress in developing the exciting potential commercial success of your company.

Jeremy Scudamore

Chairman

29 September 2008

Consolidated Income Statement

For the six month period ending 30 June 2008

		Six Months to 30 June 2008 (Unaudited) £'000	Six Months to 30 June 2007 (Unaudited) £'000	Five Months to 31 December 2007 (Audited) £'000
	Notes			
Continuing Operations				
Revenue		84	55	65
Cost of sales		(32)	(2)	(8)
Gross Profit		52	53	57
Administrative expenses		(1,752)	(124)	(683)
Loss from Operations	2	(1,700)	(71)	(626)
Finance income		153	12	11
Loss before Tax		(1,547)	(59)	(615)
Income tax expense	3	–	–	–
Loss for Period attributable to Equity Holders of the Company		(1,547)	(59)	(615)
Loss per share attributable to the equity holders of the Company during the year:				
Total and continuing:				
– Basic and diluted	4	(0.87)p	(0.08)p	(0.83)p

Statement of Changes in Shareholders' Equity

For the six month period ending 30 June 2008

	Share Equity £'000	Share Premium £'000	Share Based Payment Reserve £'000	Reverse Acquisition Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2007	2	694	-	-	-	(67)	629
Loss for the 6 month period to 30 June 2007	-	-	-	-	-	(59)	(59)
Share based payments	-	-	1	-	-	-	1
At 30 June 2007	2	694	1	-	-	(126)	571
Loss for the 6 month period to 31 December 2007	-	-	-	-	-	(631)	(631)
Share based payments	-	-	394	-	-	-	394
Share options cancelled or exercised	-	-	(8)	-	-	8	-
Reverse acquisition (see note 1)	1,777	5,123	-	(6,831)	22,514	-	22,583
At 31 December 2007	1,779	5,817	387	(6,831)	22,514	(749)	22,917
Loss for the 6 month period to 30 June 2008	-	-	-	-	-	(1,547)	(1,547)
Share based payments	-	-	929	-	-	-	929
At 30 June 2008	1,779	5,817	1,316	(6,831)	22,514	(2,296)	22,299

Consolidated Balance Sheet

30 June 2008

	30 June 2008 (Unaudited) £'000	30 June 2007 (Unaudited) £'000	31 December 2007 (Audited) £'000
Assets			
Non-Current Assets			
Intangible assets	16,335	184	16,340
Property, plant and equipment	181	30	52
	16,516	214	16,392
Current Assets			
Trade and other receivables	141	2	109
Cash and cash equivalents	5,967	396	6,866
	6,108	398	6,975
Liabilities			
Current Liabilities			
Trade and other payables	325	41	368
Bank overdrafts	–	–	82
	325	41	450
Net Current Assets	5,783	357	6,525
Net Assets	22,299	571	22,917
Shareholders Equity			
Called up share capital	1,779	2	1,779
Share premium	5,817	694	5,817
Merger reserve	22,514	–	22,514
Reverse acquisition reserve	(6,831)	–	(6,831)
Retained earnings	(2,296)	(126)	(749)
Share based payments reserve	1,316	1	387
Total Equity attributable to Equity Holders of the Company	22,299	571	22,917

The financial statements were approved by the Board of Directors and authorised for issue on 29 September 2008 and were signed on its behalf by:

M L Bravo
Director

P G Spinks
Director

Consolidated Cashflow Statement

For the six month period ending 30 June 2008

		Six Months to 30 June 2008 (Unaudited) £'000	Six Months to 30 June 2007 (Unaudited) £'000	Five Months to 31 December 2007 (Audited) £'000
	Notes			
Cash flows from operating activities				
Cash generated from operations	5	(823)	(42)	(197)
Net cash inflow/(outflow) from operating activities		(823)	(42)	(197)
Cash flows from investing activities				
Purchase of intangible assets		–	–	(15)
Purchase of property, plant and equipment		(148)	(31)	(20)
Acquisition of subsidiaries		–	–	6,633
Interest received		154	12	11
Net cash inflow from investing activities		6	(19)	6,609
Net cash from financing activities				
Share issues		–	–	6
Net cash inflow from financing activities		–	–	6
Increase in cash and cash equivalents		(817)	(61)	6,418
Cash and cash equivalents at beginning of period		6,784	457	366
Cash and cash equivalents at end of period		5,967	396	6,784

Notes to the Interim Financial Report

For the six month period ending 30 June 2008

1. ACCOUNTING POLICIES

General information

Oxford Advanced Surfaces Group plc (“the Company”) and its subsidiaries (together “the Group”) develops and commercialises advanced materials and technology solutions leveraging a breakthrough surface modification technology platform called Onto™. The address and principal place of business are disclosed on page 2 of the Interim Financial Report. The Company is registered in England and Wales and is listed on AIM, a market operated by the London Stock Exchange.

Basis of preparation

The accounting policies adopted in these interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the period to 31 December 2007. The interim financial information for the six months ended 30 June 2008 and 30 June 2007 is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. These interim financial statements include audited comparatives for the period to 31 December 2007. The 2007 Annual Report and Accounts received an unqualified audit opinion and have been filed with the Registrar of Companies. These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have been prepared under the historical cost convention.

Basis of consolidation and reverse acquisition

The Company was incorporated on 13 June 2006 as Kanyon Two plc. On 10 July 2006 the Company changed its name to Kanyon plc and on 28 December 2007 it was changed to Oxford Advanced Surfaces Group plc. On 31 December 2007 following the readmission to AIM the Company became the legal parent of Oxford Advanced Surfaces Limited.

The combination has been accounted for as a reverse acquisition as if Oxford Advanced Surfaces Limited acquired Oxford Advanced Surfaces Group plc. Although this Interim Financial Report has been issued in the name of the legal parent, 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. The following accounting treatment has been applied in respect of the reverse acquisition:

- a) The assets and liabilities of the legal parent, Oxford Advanced Surfaces Group plc, are recognised and measured in the Group financial statements at the pre-combination carrying amounts, which are considered to reflect their fair value. The excess of the combination cost over the fair value of the assets and liabilities acquired is accounted for as goodwill.
- b) The retained (loss) / earnings and other equity balances recognised in the Interim Financial Report to the date of the business combination reflect the retained (loss) / earnings and other equity balances of Oxford Advanced Surfaces Limited immediately before the business combination, and its results for the period from 14 June 2006 to the date of the business combination. However, the equity structure appearing in the Interim Financial Report reflects the

Notes to the Interim Financial Report

For the six month period ending 30 June 2008

equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the business combination on 31 December 2007. The effect of using the equity structure of the legal parent gives rise to the reverse acquisition reserve.

- c) Comparative numbers for the six months to 30 June 2007 presented in the Interim Financial Report are those of the legal subsidiary, Oxford Advanced Surfaces Limited. The Group's Interim Financial Report and related notes are for the six month period to 30 June 2008.
- d) The cost of the acquisition has been determined from the perspective of Oxford Advanced Surfaces Limited. As there was no readily available fair value of the legal subsidiaries' equity instruments at the date of the acquisition the total fair value of all the issued equity instruments of the legal parent, Oxford Advanced Surfaces Group plc, before the business combination was used as the basis for determining the combination's cost. Immediately before the acquisition the legal parent had 88,384,131 ordinary 1 pence shares in issue. The Directors have placed a fair value on these shares of 25 pence each valuing the combination at £22,096,000.

2. OPERATING LOSS

Operating loss is stated after charging

	Period to 30 June 2008 £'000	Period to 30 June 2007 £'000	Period to 31 December 2007 £'000
Research and development costs	179	26	82
Share based payments	929	1	394
Depreciation of property, plant and equipment – owned	19	2	5
Amortisation of intangible assets – patents	5	5	4

3. INCOME TAX EXPENSE

No tax charge has been recognised in the accounts as the Group is currently in a net loss position. No deferred tax asset has been recognised in respect of the losses as recoverability is currently uncertain.

4. LOSS PER SHARE (BASIC AND DILUTED)

The loss per share is based on the loss for the period and the number of ordinary shares of 1 pence each, being the weighted average number of shares in issue during the period. The weighted average number of shares for the period ended 30 June 2008 equates to the shares in issue at the period end. At 31 December 2007 the weighted average number of shares in issue are based on the number of shares issued by Oxford Advanced Surfaces Group plc to acquire Oxford Advanced Surfaces Limited for the period up to the acquisition and the weighted average number of shares in issue for the period since the acquisition. The weighted average number of shares for the period ended 30 June 2007 assumes that the 77,539,907 ordinary shares issued in relation to the reverse

acquisition of Oxford Advanced Surfaces Limited are weighted in relation to the number of shares in issue by Oxford Advanced Surfaces Limited during the period.

	30 June 2008	30 June 2007	31 December 2007
Loss attributable to equity holders of the Group (£'000)	(1,547)	(59)	(615)
Weighted average number of ordinary shares in issue	177,924,038	73,582,186	74,341,761
Basic & diluted loss per share (pence)	(0.87)	(0.08)	(0.83)

The share options and warrants in issue are anti-dilutive and, therefore, diluted loss per share is equivalent to the basic loss per share.

5. RECONCILIATION OF LOSS BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Period to 30 June 2008 £'000	Period to 30 June 2007 £'000	Period to 31 December 2007 £'000
Profit/(loss) before tax	(1,547)	(59)	(615)
Depreciation and amortisation charges	24	7	9
Share based payment expense	929	1	394
Finance income	(153)	(12)	(11)
	(747)	(63)	(223)
(Increase) / Decrease in trade and other receivables	(33)	17	54
Increase / (Decrease) in trade and other payables	(43)	4	(28)
Cash generated from operations	(823)	(42)	(197)

Notes to the Interim Financial Report

For the six month period ending 30 June 2008

6. RELATED PARTIES AND DIRECTORS' TRANSACTIONS

During the period ended 30 June 2008, the Company paid remuneration to the Directors in accordance with their service contracts and letters of appointment. In addition, Dr M G Moloney received fees through Oxford University Consulting in relation to technical support to the Group for the sum of £7,000 (period ending 30 June 2007: £12,000). There was £4,000 outstanding at the end of the period (period ending 30 June 2007: £8,000).

Directors' Interests

The interests of the directors (all of which are beneficial) and persons connected with them in the issued share capital of the Company as at 30 June 2008 were as follows:

	Number of Ordinary Shares in the Issued Share Capital	Percentage of the Issued Share Capital	Number of Options held	Number of Ordinary Shares held assuming full exercise of Options	Percentage of fully diluted Share Capital
M A Bretherton	435,000	0.24	–	435,000	0.23
D R Norwood*	9,753,674	5.48	–	9,753,674	5.13
M L Bravo	5,386,502	3.03	5,386,502	10,773,004	5.66
P G Spinks	–	0.00	1,069,794	1,069,794	0.56
J P Scudamore	714,390	0.40	3,886,282	4,600,672	2.42
Dr M G Moloney	10,120,527	5.69	848,219	10,968,746	5.77
Dr A J Naylor**	848,219	0.48	848,219	1,696,438	0.89

* 678,671 of these Ordinary Shares are held by IP2IPO Nominees Limited on behalf of D R Norwood

** All these Ordinary Shares are held by IP2IPO Nominees Limited on behalf of Dr A J Naylor

D R Norwood and M A Bretherton are in addition interested in 3,000,000 and 60,000 shares respectively in Ora Capital Partners plc ("Ora"), representing 3 per cent and 0.06 per cent of Ora's issued ordinary share capital.

7. POST BALANCE SHEET EVENTS

On 1 August 2008 the Company entered into a placing agreement for 7,311,000 new ordinary shares at the placing price of £0.65 per new share representing an aggregate subscription amount of £4,752,150 before expenses.

Simultaneously the following directors of the Company agreed to subscribe in aggregate for 384,600 new ordinary shares for an aggregate subscription amount of £249,990:

Director	No. of new ordinary shares subscribed	Amount £
M L Bravo	38,500	25,025
P G Spinks	11,500	7,475
J P Scudamore	15,400	10,010
D R Norwood	307,700	200,005
Dr A J Naylor	11,500	7,475

Application was made for the 7,695,600 new ordinary shares to be admitted to trading on AIM which took place on 6 August 2008. The total amount raised was £5,002,140 and cash expenses of the issue amounted to approximately £278,000.

The new ordinary shares issued represented approximately 4% of the previously issued share capital and the new total voting rights of the company are now 185,619,638 ordinary shares.

In addition to the above expenses, the Company issued a warrant instrument to Novum Securities Limited for 230,868 new ordinary shares at a strike price of £0.65, equivalent to the subscription price. The warrants have a life of five years from the date of issue.

8. INTERIM FINANCIAL STATEMENTS

These interim financial statements will be distributed to shareholders and are also available on the Company's website at www.oxfordsurfaces.com



Oxford Advanced Surfaces Group plc
Centre for Innovation & Enterprise
Begbroke Science Park
Sandy Lane
Yarnton
OX5 1PF
www.oxfordsurfaces.com
Company no: 5845469