

 oxford  
advanced surfaces  
group plc



science applied



Oxford Advanced  
Surfaces Group plc

Report & Accounts  
for the period ending  
31 December 2007

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## 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

Begbroke Centre for  
Innovation & Enterprise  
Oxford University  
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

### REGISTRARS

Capita IRG Plc  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### BROKER

Hichens, Harrison & Co Plc  
Bell Court House  
11 Blomfield Street  
London  
EC2 1LB

### LEGAL ADVISORS

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

## Chairman's Statement

We are pleased to report on your Group's first Annual Report following the reverse acquisition of Kanyon plc in December 2007 and readmission to AIM as Oxford Advanced Surfaces Group plc (OASG). The reverse acquisition was achieved by the issue of 77,539,907 ordinary shares of 1 pence each with a premium of 24 pence per share plus £50,000 in cash. Acquisition costs of £434,000 were incurred.

The Group has continued to build on the initial business development work undertaken by Oxford Advanced Surfaces Limited by turning a number of relationships into joint development agreements. These are with major companies across the UK, Europe and the USA. Employee numbers have risen from 2 to 7, of which 6 are focused on research and development. Since the period end staff numbers have continued to grow following the appointment of a Chief Financial Officer and a Business Development Director along with increasing the research staff to 12.

These financial statements have been prepared using reverse acquisition accounting. The result is to reflect the business combination as if Oxford Advanced Surfaces Limited (OAS) had acquired Oxford Advanced Surfaces Group plc. Although these Group financial statements have been issued in the name of the legal parent, the Group's activity is, in substance, a continuation of the legal subsidiary, OAS. The comparative figures shown in these financial statements are those of OAS.

The shortened 5 month period ended 31 December 2007 delivered Group revenue of £65,000 compared to £77,000 for the prior period and a loss before tax of £615,000 compared to £142,000. Excluding share based payments the loss before tax for the period ended 31 December 2007 was £221,000 (period ended 31 July 2007: £141,000). Research and development costs increased from £44,000 to £82,000 driven by the volume of work in the development pipeline and the rapid expansion of the business.

We are engaging with an increasing number of partners and potential customers and have grown rapidly to meet the high level of demand for our technology, the latest example of which was a joint development agreement signed in April 2008 with DuPont Advanced Fibre Systems. This is one of several agreements we have reached and we are discussing different applications for our core technology with leading edge global partners.

OASG develops and commercialises advanced materials and technology solutions leveraging a proprietary surface modification technology called Onto™. The technology exploits and controls a reactive chemistry allowing the rapid and convenient modification of the surface properties of a wide range of materials with a high degree of control over processing parameters. Onto™ can be applied as a wet coating by spin, dip, roll or spray and cured with either heat or irradiation. By selective coating (screen, inkjet printing) or selective curing (photolithography) highly patterned surfaces can be formed. This delivers permanent, dramatic and highly valuable changes to surface functionality. The Onto™ coating technology is a versatile, effective, yet simple approach to deliver intelligent advanced materials.

Industry has an increasing need for novel and more complex advanced materials to deliver innovation, reduce costs or address environmental issues. Our surface modification technology can enable the use of existing materials in new ways or a

## Chairman's Statement

combination of different materials for new effects, delivering highly tailored advanced materials. One example is that fluoropolymers, which are known for their hydrophobicity (water repulsion), also make useful dielectric materials. The downside is that they can be difficult to incorporate into electronic devices. By modifying the surface of a fluoropolymer making it hydrophilic some of these problems can be solved. This is one example in which Onto™ can deliver a valuable functionality enabling a new application for an existing material. Since Onto™ technology can also utilise existing industrial coating and curing processes, it is easy and quick to adopt and commercialise.

Initial applications include tailored wetting properties, adhesion, metallization and bio-activity. The early target markets include:-

- Electronics (PCB's, plastic electronics, integrated circuits and flat screen displays);
- Industrial specialties (specialty fibres, laminates, membranes and composites);
- Life sciences / health care (sterile surfaces, separation media and microarrays, biomedical materials), and;
- Alternative energy and low-carbon technologies (photovoltaics, solid state lighting and fuel cells)

Kanyon plc, before it became OASG, acquired the entire share capital of Solar Labs plc in April 2007. This was through the issue of 433,841,307 0.1 pence shares (prior to the share consolidation) with a 0.9 pence premium. £95,000 of acquisition costs were incurred. Since the period end Solar Labs plc has been renamed Oxford Energy Technologies Limited (OET). The change in name reflects the broadening of OET's strategy to encompass a wider range of energy and low carbon technologies.

OET will develop novel solutions for the fast growing and increasingly important renewable energy markets using the Group's Onto™ technology. Initial development projects will focus on photovoltaics, where the target will be to improve the efficiency of solar cells, and solid state lighting where the technology is aimed at delivering dramatic efficiency and lifetime improvements, along with improved emission colour.

Financial resources continue to be managed prudently, with tight cost controls. Cash reserves at the period end were £6.8 million.

We are confident that 2007's strong performance will continue. Future activities for 2008 include the negotiation and conclusion of further joint development agreements with key industry players in our main target markets. We will continue to expand our research and development resources to deal with the demands of our partners and ensure that the company has access to the best people.

Whilst many of our projects are moving from proof of concept into application development there is more work and resource needed to take them through to full commercialisation. In order to maximise its opportunities, the Group intends to continue to expand its capability to carry out development work in-house and add to its intellectual property and expertise.

We are delighted with the progress made by the Group and anticipate further growth and development, building on our solid foundations in 2008. We would like to thank our employees and management for their dedication and hard work without which this significant progress would not have been possible.

J P Scudamore  
Chairman  
27 June 2008

## Directors' Report

The directors present their report with the financial statements of the Group for the period 1 August 2007 to 31 December 2007.

### ACQUISITION AND READMISSION TO AIM

The reverse acquisition of Kanyon plc by Oxford Advanced Surfaces Limited and readmission to AIM was completed on 31 December 2007. The Company changed its name to Oxford Advanced Surfaces Group plc.

On 21 December 2007 in preparation for the acquisition the authorised share capital of the Company was increased from £1,000,000 to £3,000,000 by the creation of 200,000,000 ordinary shares of 0.1 pence each.

On 21 December 2007 the ordinary shares of 0.1 pence each in the capital of the Company (both issued and unissued) were consolidated so that every 10 ordinary shares of 0.1 pence each were consolidated into one new ordinary share of 1 pence each.

On 28 December 2007 the Company allotted, subject only to admission, 77,539,907 ordinary shares of 1 pence each in consideration for the acquisition of the entire share capital of Oxford Advanced Surfaces Limited. The Company also allotted, subject only to admission, a further 12,000,000 new ordinary shares of 1 pence each in consideration for the subscription of £3,000,000 which had already been advanced to the company.

On 31 December 2007 the new shares for both the acquisition and subscription were issued at a premium of 24 pence per share and the Company's enlarged share capital was admitted to trading on AIM, a market operated by the London Stock Exchange. In addition cash consideration of £50,000 was paid to the vendors for the acquisition.

### PRINCIPAL ACTIVITY

The principal activities of the Group are the development and commercialisation of advanced materials and technology solutions in the areas of electronics, industrial and consumer applications, life sciences and alternative energy.

### BUSINESS REVIEW

A review of the Group's performance and future prospects is included in the Chairman's Statement on pages 3 to 5.

### BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In accordance with IFRS, the combination of Oxford Advanced Surfaces Group plc and Oxford Advanced Surfaces Limited has been accounted for as a reverse acquisition. Further details are provided in note 1 of the financial statements.

### RESULTS AND DIVIDENDS

The trading loss for the period was £615,000 (period to 31 July 2007: £142,000) which has been transferred to reserves.

The directors do not recommend a dividend in respect of the period to 31 December 2007 and no dividends were paid during the period under review.

## SHARE CAPITAL AND FUNDING

Full details of the Company's share capital movements during the period are given in note 13 of the financial statements.

The Company has an authorised share capital of £3,000,000 divided into 300,000,000 ordinary shares of 1 pence each of which 177,924,038 had been issued at the balance sheet date.

## RISK REVIEW

Given the current straight forward nature of the business, the Group's directors are of the opinion that analysis of KPIs is not necessary for an understanding of the development, performance and position of the entity. However, the Directors believe that relevant KPIs for internal measurement are: size and quality of development pipeline, progress towards income and cash burn rate.

The key business risks affecting the Group are set out below:

### **Early stage operations**

The Group is at an early stage of development. It is difficult to predict if and when material revenues will arise and the Group faces risks frequently encountered by developing companies. The Group's success will depend on its ability to develop a portfolio of products and services which address specific market needs and develop suitable licensing, royalty and contract manufacture models and capture value from business opportunities. The Group's business model involves focussing development on identified market needs and seeking revenue generation through product development under joint development agreements or similar arrangements. These activities are all undertaken with appropriate commercial agreements.

### **Research and development risks**

The Group is engaged in developing novel coating reagents to develop new materials and technological solutions to address identified market needs. The Group is, therefore, involved in complex scientific areas and experience indicates a high incidence of delay or failure to produce results. In addition, novel chemical reagents may face potential regulatory barriers which by their nature will vary, for example; by application, geography, volume of business and thus which are difficult to anticipate at present.

### **Attraction and retention of key employees**

The Group depends on its Directors and other key employees and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed.

The Group has attempted to reduce this risk by offering competitive remuneration packages including the opportunity to participate in a share option scheme and investment in training, development and succession planning.

In particular, the Group is currently reliant upon the continuing involvement and contribution from one of its founding scientists, Dr Jon-Paul Griffiths. The continual expansion of the technical team will, over time, reduce the Group's reliance upon this employee.

## Directors' Report

### Intellectual Property

A significant part of the Group's future depends on its intellectual property for future development and growth. If intellectual property is inadequately protected, the Group's future success could become adversely affected. The Group may not be able to protect and preserve its intellectual property or to exclude competitors with competing technology products.

The Group continues to invest in the protection and expansion of its intellectual property portfolio. In addition the Group utilises internal procedures and controls to identify and capture new intellectual property and to prevent unauthorised disclosure to third parties.

### Commercial success and market acceptance

The Group does not have any technology products for sale. There can be no assurance that any current or future product development will be successfully developed into any commercially viable product or products. The Group's success will depend on the market's acceptance of its products and there can be no guarantee that this will be forthcoming or that the Group's technologies will succeed as an alternative to other new products. If a mass market for any product or process fails to develop or develops more slowly than anticipated, the Group may fail to recover the losses incurred in the development process and may never achieve profitability.

The Group's strategy of developing products and processes under joint development agreements with major companies in large and valuable market applications is designed to facilitate adoption of the products and drive mass market uptake.

### DIRECTORS AND THEIR INTERESTS

The directors who have held office during the period from 1 August 2007 to the date of this report are as follows:

M L Bravo	appointed 31 December 2007	
P G Spinks	appointed 27 February 2008	
M A Bretherton	appointed 13 June 2006	
Dr M G Moloney	appointed 31 December 2007	
Dr A J Naylor	appointed 31 December 2007	
D R Norwood	appointed 27 April 2007	
J P Scudamore	appointed 31 December 2007	
A J Aubrey	appointed 27 April 2007	resigned 31 December 2007
B D Lloyd	appointed 13 June 2006	resigned 31 December 2007
M L Sutcliffe	appointed 26 September 2006	resigned 31 December 2007

All the directors who are eligible offer themselves for election at the forthcoming Annual General Meeting.

**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 31 December 2007 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
B D Lloyd	50,000	0.03	–	50,000	0.03
D R Norwood	9,753,674*	5.48	–	9,753,674	5.16
M L Sutcliffe	–	–	125,000	125,000	0.07
A J Aubrey	2,357,994**	1.32	–	2,357,994	1.24
M L Bravo	5,386,502	3.03	5,386,502	10,773,004	5.70
J P Scudamore	714,390	0.40	3,886,282	4,600,672	2.43
Dr M G Moloney	10,120,527	5.69	848,219	10,968,746	5.80
Dr A J Naylor	848,219***	0.48	848,219	1,696,438	0.90

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

\*\* 932,994 of these Ordinary Shares are held by IP2IPO Nominees Limited on behalf of A J Aubrey

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

D R Norwood, M L Sutcliffe, M A Bretherton and B D Lloyd are in addition interested in 3,000,000, 100,000, 60,000 and 50,000 shares respectively in Ora Capital Partners plc ("Ora"), representing 3 per cent, 0.1 per cent, 0.06 per cent and 0.05 per cent of Ora's issued ordinary share capital. The interests of Ora in the capital of the company are shown on page 11 under substantial shareholders.

**DIRECTORS' REMUNERATION**

	Salary and Fees £'000	Bonus £'000	Total December 2007 £'000	Total July 2007 £'000
J P Scudamore	2	–	2	7
M L Bravo	28	15	43	50
Dr M G Moloney	2	–	2	4
Dr A J Naylor	4	–	4	–
	36	15	51	61

**PROFILE OF THE DIRECTORS****Jeremy Scudamore, BA (Hons), Aged 61, Non Executive Chairman**

Jeremy Scudamore worked for ICI, Zeneca, AstraZeneca and Avecia for 35 years in a number of senior positions, latterly as chairman and chief executive of the Avecia Group and previously as chief executive of Zeneca Specialities, managing director of Zeneca Seeds, business director of Zeneca Agrochemicals, and he has held various general manager and international roles including that of Zeneca Group regional executive for Eastern Europe and general manager in Brazil. Jeremy was educated at Nottingham University and INSEAD, France. Currently Jeremy is non executive chairman of SkyePharma plc, non executive director of Oxford Catalysts Group plc and ARM Holdings plc, and director of The Boardlink Group.

## Directors' Report

### **Marcelo Bravo, BA, BSc, MSc, Aged 48, Chief Executive Officer**

Marcelo Bravo has a background in chemistry and chemical engineering and business development experience with major blue-chip companies. Marcelo worked for the Procter & Gamble company for 16 years commencing in 1983 and subsequently with Boots (now Boots Alliance Plc) for three years commencing in 2000 in various operational and strategic roles and has significant experience in developing, launching and growing new products and services across a range of both geographic and product markets. Marcelo is also an experienced entrepreneur having founded two start up businesses in the past 15 years. He is currently a director of Oxford Nutrascience Limited. Marcelo holds a BA in Chemistry from the College of Wooster, USA and a BSc in Chemical Engineering from Case Western Reserve University, USA and MSc in Management from the London Business School.

### **Philip Spinks, BSc, ACA, AMCT, Aged 37, Chief Financial Officer and Company Secretary**

Philip Spinks joined the Board in February 2008. He worked as an accountant at Coopers & Lybrand before joining The BOC Group plc in 1997. In his 10 years at BOC, Philip held a number of senior finance roles in the UK and Germany. He is an associate of both the Institute of Chartered Accountants in England and Wales and the Association of Corporate Treasurers.

### **Michael Bretherton, BA, ACA, Aged 52, Non Executive Director**

Michael Bretherton graduated with a first class degree in Economics from the University of Leeds in 1978. He worked as an accountant and manager with Price Waterhouse for seven years in both London and the Middle East before joining The Plessey Company Plc in 1985 as a corporate financial manager. Michael was appointed finance director of the fully listed Bridgend Group Plc in 1988 where he was involved in the strategic evaluation and commercial implementation of a broad range of business initiatives over a twelve year period, including acquisitions, disposals and company restructuring. He subsequently worked at the property and services company, Mapeley Limited, as financial operations director until he was recruited to the entertainment software games developer, Lionhead Studios Limited, in 2002 where he helped to complete a venture capital syndicate funding and also a trade sale of the business to Microsoft in 2006. Michael Bretherton is currently the finance director of Ora Capital Partners plc.

### **David Norwood, MA, Aged 39, Non Executive Director**

David Norwood is the founder and special projects director of IP Group plc, a company focused on the commercialisation of research and intellectual property from universities. David graduated in modern history from Keble College, University of Oxford following which he worked as a foreign exchange trader at Bankers Trust and then as an investment analyst at Duncan Lawrie. In 1997 he joined Williams de Broe to advise quoted and unquoted technology companies. David founded IndexIT Partnership in 1999, a technology advisory boutique which was subsequently acquired by Beeson Gregory Group Plc, at which time he joined the board of Beeson Gregory and was appointed chief executive at the beginning of 2001. David joined the board of The Evolution Group Plc following its merger with Beeson Gregory in July 2002 and then became chief executive (now special projects director) of IP Group Plc (formerly IP2IPO Group plc) which was admitted to AIM in October 2003 and subsequently transferred to the Official List. Finally, David is currently a director of several other AIM quoted companies.

**Dr Mark Moloney, Aged 49, Non Executive Director**

Dr Mark Moloney, one of the founders, provides technical counsel on a consultancy basis and is a Non Executive Director. Mark is an internationally recognised lecturer in organic chemistry at the University of Oxford where he was appointed in 1990 and he was promoted to Reader in Chemistry in 2006. Mark has over 115 publications, including research articles, books and patents, and has been involved in organic synthesis research for twenty-five years. His main areas of interest are in the synthesis of chemical compounds with antibiotic, cytotoxic or neuroexcitatory activity; the development of new chemical methodology; and the surface modification of polymers. Much of Mark's research work has been conducted with industry, including GlaxoSmithKline, AstraZeneca, Merck, Sharp and Dohme and Associated Octel.

**Dr Andrew Naylor, Aged 35, Non Executive Director**

Dr Andrew Naylor has extensive experience with university spin-out companies in a number of roles. Andrew is currently Chief Executive Officer of Pembroke House Technologies Limited, an intellectual property commercialisation company based in Oxford. Andrew was with IP Group plc from 2001 to 2007 and prior to that he was with IndexIT Partnership Limited and Beeson Gregory. Andrew received a first class degree and PhD in Physics from the University of Nottingham.

**SUBSTANTIAL SHAREHOLDERS**

The Company is aware that in addition to the holders disclosed under Directors' interests in shares above, the following persons have at the date of this document an interest in three percent or more of the issued Ordinary share capital of the Company:

<b>Name</b>	<b>Number of Ordinary Shares in the issued Share Capital</b>	<b>Percentage of the issued Share Capital</b>
Ora Capital Partners Plc	49,950,002	28.07
IP2IPO Limited	27,995,045	15.73
Oxford University	17,264,429	9.70
Jon-Paul Griffiths	10,120,527	5.69
Richard Griffiths	10,029,998	5.64
Calyon	6,005,000	3.38
Bainunah Trading Limited*	6,000,000	3.37
IP2IPO Nominees Limited**	5,938,487	3.34

\* Beneficial owner is Elenora Trust in which Robert Quested has an interest.

\*\* 678,671 of these Ordinary Shares are held by IP2IPO Nominees Limited on behalf of D R Norwood, 932,994 on behalf of A J Aubrey and 848,219 on behalf of Dr A J Naylor.

**EMPLOYMENT POLICIES**

The Group supports employment of disabled people wherever possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Group has made no payments in respect of political and charitable contributions during the year.

## Directors' Report

### POLICY ON PAYMENT OF CREDITORS

It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice.

For the period ending 31 December 2007 trade creditor days for the Group were 34 (period ending 31 July 2007: 47) and for the company were 38 (period ending 31 January 2007: 30). The trade creditors' days are based upon total annualised cost of sales and administrative expenses excluding wages and salaries, and trade creditors have been adjusted for the cost of acquisition.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office at the date of approval of these financial statements have confirmed, as far as they are aware there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the Company.

### AUDITORS

Baker Tilly UK Audit LLP were appointed as auditors during the period and will be proposed for re-appointment in accordance with Sections 385 of the Companies Act 1985.

On behalf of the board

M L Bravo

Director

Date: 27 June 2008

# Corporate Governance Report

The directors recognise the importance of sound corporate governance and intend that the Group will comply with the main provisions of the Quoted Companies Alliance (QCA) Guidelines on Corporate Governance insofar as they are appropriate given the Group's size and stage of development.

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The directors hold Board meetings at least quarterly and at other times as and when required.

The Company has established audit and remuneration committees of the Board with formally delegated duties and responsibilities.

## Independence

D R Norwood is considered to be able to act as an independent non-executive director by the Board (other than in matters pertaining to Ora Capital Partners plc and IP Group plc, where he will not be entitled to vote) notwithstanding his share holding of 5.48%.

J P Scudamore is considered to be able to act as an independent non-executive director by the Board, notwithstanding his 0.40% share holding, and share options.

Dr M G Moloney is considered to be able to act as an independent non-executive director by the Board, notwithstanding his 5.69% shareholding and share options.

Dr A J Naylor is considered to be able to act as an independent non-executive director by the Board, notwithstanding his 0.48% shareholding and share options.

M A Bretherton is considered to be able to act as an independent non-executive director by the Board (other than in matters pertaining to Ora Capital Partners plc, where he will not be entitled to vote) notwithstanding his 0.24% shareholding.

## The Board

The Board currently comprises two executive and five non-executive directors.

## Audit Committee

The Board has established an audit committee with formally delegated duties and responsibilities. The audit committee comprises the three non-executive directors: J P Scudamore and D R Norwood with Dr A J Naylor as Chairman.

## Remuneration Committee

The remuneration committee comprises the three non-executive directors: J P Scudamore and Dr A J Naylor with D R Norwood as Chairman. It meets as required and at least annually to consider all aspects of the remuneration of the executive directors of the Group.

The policy of the remuneration committee is to reward executive Directors in line with the current development of the Group and with the current remuneration of Directors in comparable businesses in order to recruit, motivate and retain high quality executives in a competitive marketplace.

## Corporate Governance Report

There are three main elements of the remuneration packages for executive Directors and senior management:

- Basic annual salary (including directors' fees) and benefits;
- Discretionary annual bonus to be paid in accordance with a bonus scheme which is currently being developed by the remuneration committee; and
- Discretionary share option scheme to be paid in accordance with an options scheme which is currently being developed by the remuneration committee.

### Nominations Committee

The Directors do not consider that, given the size of the Board and the stage of the Group in its development, it is appropriate at this time to have a nominations committee. However, this will be kept under regular review by the Board.

### Internal Control

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, not eliminate risk and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

- (i) Management accounts information and business risk issues are regularly reviewed by the Board who meet at least quarterly;
- (ii) The Group has operational, accounting and employment policies in place;
- (iii) There is a clearly defined organizational structure and there are well-established financial reporting and control systems;
- (iv) Accounting systems and procedures will be reviewed at least annually as the business grows in order to ensure that they are appropriate to the size and complexity of the business;
- (v) The Board actively identifies and evaluates risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and
- (vi) The precise accounting controls and procedures to be adopted by the Group following an acquisition of a subsidiary business will be determined at the time an acquisition is made.

### Going Concern

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.

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The group financial statements are required by law and IFRS adopted by the European Union to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The company financial statements are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Oxford Advanced Surfaces Group plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditors' Report to the Members of Oxford Advanced Surfaces Group Plc

We have audited the Group and Parent Company financial statements on pages 18 to 42.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross-referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audited opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, as applied in accordance with the provisions of the Companies Act 1985, of the state of the Group's affairs as at 31 December 2007 and of its profit for the period ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

#### **Baker Tilly UK Audit LLP**

Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London  
WC1B 3ST  
27 June 2008

# Consolidated Income Statement

For the period ending 31 December 2007

	Notes	Period from 1 August 2007 to 31 December 2007 £'000	Period from 14 June 2006 to 31 July 2007 £'000
<b>Continuing Operations</b>			
Revenue		65	77
Cost of sales		(8)	(3)
<b>Gross Profit</b>		57	74
Administrative expenses		(683)	(230)
<b>Loss from Operations</b>		(626)	(156)
Finance income	4	11	14
<b>Loss Before Tax</b>		(615)	(142)
Income tax expense	5	–	–
<b>Loss for Period Attributable to Equity Holders of the Company</b>	6	(615)	(142)
Loss per share attributable to the equity holders of the Company during the year:			
Total and continuing			
Basic and diluted	19	(0.83)p	(0.24)p

# Consolidated and Company Statement of Changes in Shareholders' Equity

For the period ending 31 December 2007

## Group

	Share Equity £'000	Share Premium £'000	Share Based Payment Reserve £'000	Reverse Acquisition Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Total Equity £'000
<b>At 14 June 2006</b>	–	–	–	–	–	–	–
Loss for the period to 31 July 2007	–	–	–	–	–	(142)	(142)
Shares issued – cash consideration	2	544	–	–	–	–	546
Shares issued – other than for cash	–	150	–	–	–	–	150
Share based payment reserve	–	–	1	–	–	–	1
<b>At 31 July 2007</b>	2	694	1	–	–	(142)	555
Loss for the period to 31 December 2007	–	–	–	–	–	(615)	(615)
Share based payments	–	–	304	–	–	–	394
Share options cancelled or exercised	–	–	(8)	–	–	8	–
Reverse acquisition (see note 1)	1,777	5,123	–	(6,831)	22,514	–	22,583
<b>At 31 December 2007</b>	1,779	5,817	387	(6,831)	22,514	(749)	22,917

## Company

	Share Equity £'000	Share Premium £'000	Share Based Payment Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Total Equity £'000
<b>At 13 June 2006</b>	–	–	–	–	–	–
Loss for the period to 31 January 2007	–	–	–	–	(2)	(2)
Shares issued – cash consideration	450	3,150	–	–	–	3,600
Less expenses relating to share issue	–	(213)	–	–	–	(213)
<b>At 31 January 2007</b>	450	2,937	–	–	(2)	3,385
Loss for the period to 31 December 2007	–	–	–	–	(347)	(347)
Shares issued on acquisition of Oxford Energy Technologies Limited	434	–	–	3,904	–	4,338
Shares issued – cash consideration	120	2,880	–	–	–	3,000
Shares issued on acquisition of Oxford Advanced Surfaces Limited	775	–	–	18,610	–	19,385
Share based payment	–	–	387	–	–	387
<b>At 31 December 2007</b>	1,779	5,817	387	22,514	(349)	30,148

# Consolidated and Company Balance Sheet

31 December 2007

	Notes	Group 31 December 2007 £'000	Group 31 July 2007 £'000	Company 31 December 2007 £'000	Company 31 January 2007 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Investments	7	–	–	24,302	–
Intangible assets	8	16,340	184	–	–
Property, plant and equipment	9	52	37	–	–
		16,392	221	24,302	–
<b>Current assets</b>					
Trade and other receivables	10	109	16	67	21
Cash and cash equivalents	11	6,866	366	6,107	3,381
		6,975	382	6,174	3,402
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	12	368	48	246	17
Bank overdrafts	11	82	–	82	–
		450	48	328	17
<b>Non current assets</b>					
		6,525	334	5,846	3,385
<b>Net Assets</b>					
		22,917	555	30,148	3,385
<b>Shareholders equity</b>					
Called up share capital	13	1,779	2	1,779	450
Share premium	14	5,817	694	5,817	2,937
Merger reserve	15	22,514	–	22,514	–
Reverse acquisition reserve	16	(6,831)	–	–	–
Retained earnings	17	(749)	(142)	(349)	(2)
Share based payments reserve	18	387	1	387	–
<b>Total equity attributable to equity holders of the Company</b>					
		22,917	555	30,148	3,385

The financial statements were approved by the Board of Directors and authorised for issue on 27 June 2008 and were signed on its behalf by:

M L Bravo  
Director

P G Spinks  
Director

# Consolidated and Company Cash Flow Statement

For the period ending 31 December 2007

	Notes	Group Period from 1 August 2007 to 31 December 2007 £'000	Group Period from 14 June 2006 to 31 July 2007 £'000	Company Period from 1 February 2007 to 31 December 2007 £'000	Company Period from 13 June 2006 to 31 January 2007 £'000
<b>Cash flows from Operating Activities</b>					
Cash generated from operations	21	(197)	(110)	37	(56)
Net cash outflow from operating activities		(197)	(110)	37	(56)
<b>Cash flows from Investing Activities</b>					
Purchase of intangible assets		(15)	(44)	–	–
Purchases of property, plant and equipment		(20)	(40)	–	–
Acquisitions of subsidiaries		6,633	–	(579)	–
Interest received		11	14	186	50
Net cash inflow from investing activities		6,609	(70)	(393)	50
<b>Net cash from financing activities</b>					
Share issue		–	2	120	450
Share premium		6	544	2,880	3,150
Expenses of issue of share capital		–	–	–	(213)
Net cash inflow from financing activities		6	546	3,000	3,387
<b>Increase in cash and cash equivalents</b>		<b>6,418</b>	<b>366</b>	<b>2,644</b>	<b>3,381</b>
Cash and cash equivalents at beginning of period	11	366	–	3,381	–
Cash and cash equivalents at end of period	11	6,784	366	6,025	3,381

# Notes to the Financial Statements

## 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 1 of the annual 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared under the historical cost convention.

### Critical accounting estimates and judgements

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 below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the present circumstances.

### 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 (see note 23).

The combination has been accounted for as a reverse acquisition as if Oxford Advanced Surfaces Limited acquired Oxford Advanced Surfaces Group plc. Although these Group financial statements have 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 Group financial statements 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 Group financial statements reflects the 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 presented in the Group financial statements are those reported in the financial statements of the legal subsidiary, Oxford Advanced Surfaces Limited, for the period ended 31 July 2007.
- 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.

The Company's financial statements and related notes are for the period from 1 February 2007 to 31 December 2007 and present comparative information for the period from 13 June 2006 to 31 January 2007.

The Group's consolidated financial statements and related notes are for the five month period from 1 August 2007 to 31 December 2007 and the comparatives are for the 13 month period from 14 June 2006 to 31 July 2007, representing the continuation of the financial information of the legal subsidiary, Oxford Advanced Surfaces Limited.

#### Business combinations

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The results of the subsidiaries acquired during the period are included in the Group income statement from the effective date of acquisition.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable in the normal course of business, net of discounts, VAT and other sales related taxes and is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow in to the Group.

#### Investments in subsidiaries

In the parent company's balance sheet investments in subsidiaries are recorded at cost less any provision for impairment. Investments are recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

#### Goodwill

Goodwill arising on consolidation represents the difference between the cost of the business combination and the net fair value of identified assets and liabilities. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

#### 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;

## Notes to the Financial Statements

- 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.

### Patents and licenses

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

### Plant and equipment

Plant and equipment are stated at cost, net of depreciation and provision for any impairment. Depreciation is calculated to write off the cost of all plant and equipment to estimated residual value by equal annual instalments over their expected useful lives as follows

Plant and Machinery            20% reducing balance

Office furniture and fittings    20% reducing balance

Computer and IT equipment    33% straight line

### Impairment of plant and equipment and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation reserve movement.

### Financial assets and liabilities

#### Trade and other receivables

Trade and other receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.

#### Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and deposits on a term of not greater than 3 months.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. The Group's liability for the current tax year is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### Share-based payments

All share-based payment arrangements granted that had not vested prior to 1 July 2007 are recognised in the Group financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

Share options are valued at the date of grant using the Black–Scholes Merton option pricing model and are charged to operating profit over the vesting period of the award with a corresponding credit to share based payments reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate, share premium.

## Notes to the Financial Statements

### Accounting standards and interpretations not applied

At the date of authorisation of these financial statements, the following Standards and Interpretations that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

- IFRS 2: Share based payment – Amendments relating to vesting conditions and cancellations.
- IFRS 3: Business Combinations – Amendments.
- IFRS 8: Operating Segments (endorsed).
- IAS 1: Presentation of Financial Statements – Revised.
- IAS 1: Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation.
- IAS 23: Borrowing Costs – Amendment.
- IAS 27: Consolidated and separate Financial Statements – Consequential amendments arising from amendments from IFRS 3.
- IAS 28: Investments in Associates – Consequential amendments arising from amendments to IFRS 3.
- IAS 31: Interest in Joint Ventures – Consequential amendments arising from amendments to IFRS 3.
- IAS 32: Presentation of Financial Instruments – Amendments relating to Puttable Financial Instruments and obligations arising on liquidation.
- IAS 39: Financial Instruments: Recognition and Measurement – Consequential amendments arising from amendments to IAS 32.
- IFRIC 2: Members' Shares in Co-operative Entities and Similar Instruments – Consequential amendments arising from amendments to IAS 32.
- IFRIC 12: Service Concession Arrangements.
- IFRIC 13: Customer loyalty programmes.
- IFRIC 14: IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

### 2. SEGMENTAL REPORTING

The Group only operates one class of business. At the 31 December 2007 the only material segment of operation is the development and commercialisation of advanced materials and technology solutions within Oxford Advanced Surfaces Limited. The only geographical market the company currently operates in is Europe.

### 3. EMPLOYEES AND DIRECTORS

Group	Period to 31 December 2007 £'000	Period to 31 July 2007 £'000
Wages and salaries	118	81
Social security costs	13	7
Share-based payment (note 24)	394	1
	525	89

The average monthly number of employees of the Group (including executive directors) were:

	Period to 31 December 2007 £'000	Period to 31 July 2007 £'000
Director	1	1
Research and development staff	6	1
	7	2

#### Directors' emoluments

The following disclosures are in respect of the emoluments paid to the directors of the Company for the period 1 August 2007 to 31 December 2007. The comparatives relate to Oxford Advanced Surfaces Limited.

	Period to 31 December 2007	Period to 31 July 2007
Salaries and benefits	36	61
Bonuses	15	–
	51	61

No pension contributions were made on behalf of the directors.

Oxford Advanced Surfaces Group plc has granted the following options to the following persons, in replacement of their options in Oxford Advanced Surfaces Limited. The comparatives represent the options that were issued by Oxford Advanced Surfaces Limited. The conversion factor of 476.26 represents the same factor that was applied in the share for share exchange on the reverse acquisition of Oxford Advanced Surfaces Limited.

	Number of Options at 31 December 2007	Number of Options at 31 July 2007
M L Bravo	5,386,502	11,310
Dr A J Naylor	848,219	1,781
J P Scudamore	3,886,282	8,160
Dr M G Moloney	848,219	1,781

M L Bravo exercised 8,310 of his Oxford Advanced Surfaces Limited options immediately before the reverse acquisition. On acquisition these shares were replaced with 3,957,721 ordinary shares in Oxford Advanced Surfaces Group plc. The gain recognised on these options was £983,000. No other directors exercised any options during the period.

The following director held shares in Oxford Advanced Surfaces Group plc prior to and after the reverse acquisition.

## Notes to the Financial Statements

	Number of Options at 31 December 2007	Number of Options at 31 July 2007
M L Sutcliffe	125,000	5,000,000

M L Sutcliffe's share option agreement was amended on the 28 March 2007 to reduce the number of options to 1,250,000. In accordance with the requirements of the share option agreement following the 1 for 10 share consolidation his options were consolidated to 125,000 new ordinary shares at an exercise price of 10 pence per share.

Further details regarding the share option scheme can be found in note 24 of the accounts.

#### 4. FINANCE INCOME

	Period to 31 December 2007 £'000	Period to 31 July 2007 £'000
<b>Group</b>		
Bank interest receivable	11	14

#### 5. INCOME TAX EXPENSE

##### Current Tax

The tax on the Group's loss before tax differs from the theoretical amount that would arise on a weighted average rate applicable to profits of the consolidated entities as follows:

	Period to 31 December 2007 £'000	Period to 31 July 2007 £'000
<b>Group</b>		
Profit/(loss) before tax	(615)	(142)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%. (2007 – 30%)	(185)	(43)
Effects of:		
Expenses not deductible for tax purposes	118	7
Additional deduction for R&D expenditure	(6)	(3)
Capital allowances in advance of depreciation	(2)	(10)
Unrelieved tax losses and other deductions arising in the period	75	49
<b>Tax due</b>	–	–

Unrelieved tax losses of £2,211,685. (2007:£163,012) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

## 6. OPERATING LOSS

Operating loss is stated after charging

Group	Period to 31 December 2007 £'000	Period to 31 July 2007 £'000
Research and development costs	82	44
Share based payments	394	1
Depreciation of property, plant and equipment – owned	5	4
Amortisation of intangible assets – patents	4	10
<b>Auditor's remuneration</b>		
Fees payable to the Company's auditor for audit of the parent and consolidated accounts	10	–
Fees payable to the Company's auditor and its associates for other services – The audit of the Company's subsidiaries pursuant to legislation	20	15

## 7. INVESTMENTS

### Company

On 27 April 2007 the Company acquired 100 per cent of the issued share capital of Oxford Energy Technologies Limited (formerly Solar Labs plc) in consideration for the issue of 433,841,307 ordinary shares of 0.1 pence each at a premium of 0.9 pence per share and incurred directly attributable costs of £95,000. The total consideration amounted to £4,433,000 (see note 23).

On 31 December 2007 the Company acquired 100 per cent of the issued share capital of Oxford Advanced Surfaces Limited for cash consideration of £50,000 and the issue of 77,539,907 ordinary shares of 1 pence each issued at a premium of 24 pence each and incurred directly attributable acquisition costs of £434,000. The total consideration amounted to £19,869,000 (see note 23).

	Shares in Subsidiary Undertakings £'000
<b>Cost and net book amount</b>	
Additions (see below)	24,302
<b>At 31 December 2007</b>	24,302
At 31 January 2007	–

Details of the Company's subsidiaries are as follows:

Name of company	Holding	% Of shares held	Nature of business
Oxford Advanced Surfaces Limited (incorporated in England & Wales)	Ordinary	100	Development and commercialisation of coatings technology
Oxford Energy Technologies Limited (incorporated in England & Wales)	Ordinary	100	Development and commercialisation of low carbon technologies

## Notes to the Financial Statements

### 8. INTANGIBLE ASSETS

Group	Goodwill £'000	Patents And Licences £'000	Totals £'000
<b>COST</b>			
At 14 June 2006	–	–	–
Additions	–	194	194
At 31 July 2007	–	194	194
Additions	–	15	15
Arising on acquisition of subsidiaries	16,145	–	16,145
At 31 December 2007	16,145	209	16,354
<b>AMORTISATION</b>			
At 14 June 2006	–	–	–
Amortisation for period	–	10	10
At 31 July 2007	–	10	10
Amortisation for period	–	4	4
At 31 December 2007	–	14	14
<b>NET BOOK VALUE</b>			
At 14 June 2006	–	–	–
At 31 July 2007	–	184	184
<b>At 31 December 2007</b>	<b>16,145</b>	<b>195</b>	<b>16,340</b>

All the goodwill in the Group arose on the reverse acquisition of Oxford Advanced Surfaces Group plc by Oxford Advanced Surfaces Limited.

#### Company

The Company had no intangible assets during the period.

## 9. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Totals £'000
<b>COST</b>				
At 14 June 2006	–	–	–	–
Additions	4	28	9	41
At 31 July 2007	4	28	9	41
Additions	–	13	7	20
At 31 December 2007	4	41	16	61
<b>DEPRECIATION</b>				
At 14 June 2006	–	–	–	–
Charge for period	1	3	–	4
At 31 July 2007	1	3	–	4
Charge for period	–	3	2	5
At 31 December 2007	1	6	2	9
<b>NET BOOK VALUE</b>				
At 14 June 2006	–	–	–	–
At 31 July 2007	3	25	9	37
<b>At 31 December 2007</b>	<b>3</b>	<b>35</b>	<b>14</b>	<b>52</b>

No assets were held under finance leases.

### Company

The Company had no fixed assets during the period.

## 10. TRADE AND OTHER RECEIVABLES

Group	Group 31 December 2007 £'000	Group 31 July 2007 £'000	Company 31 December 2007 £'000	Company 31 January 2007 £'000
Trade receivables	19	–	–	–
Other receivables	78	8	59	14
Prepayments and accrued income	12	8	8	7
	109	16	67	21

The directors consider that the carrying amount of trade and other receivables approximates to their fair values. There was no provision for impairment at 31 December 2007, 31 July 2007 or 14 June 2006.

## Notes to the Financial Statements

## 11. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

	Group 31 December 2007 £'000	Group 31 July 2007 £'000	Company 31 December 2007 £'000	Company 31 January 2007 £'000
<b>Group</b>				
Cash at bank and in hand	6,866	366	6,107	3,381
Overdrafts	(82)	–	(82)	–
	6,784	366	6,025	3,381

## 12. TRADE AND OTHER PAYABLES

	Group 31 December 2007 £'000	Group 31 July 2007 £'000	Company 31 December 2007 £'000	Company 31 January 2007 £'000
<b>Group</b>				
Trade payables	107	22	53	1
Social security and other taxes	26	3	3	1
Other payables	9	–	–	–
Accrued expenses	216	23	180	15
Current tax liabilities	10	–	10	–
	368	48	246	17

The directors consider that the carrying amounts of trade and other payables approximates to their fair values.

**13. CALLED UP SHARE CAPITAL**

Group	Number of Shares No.	Share Capital £'000
<b>Authorised</b>		
<b>Oxford Advanced Surfaces Limited</b>		
At incorporation (1000 shares at £1.00 each)	1,000	1
Subdivision of shares (100 for 1) (100,000 shares at £0.01 each)	99,000	–
Increase of authorised share capital	65,000	1
<b>As at 31 July 2007</b>	<b>165,000</b>	<b>2</b>
<b>Oxford Advanced Surfaces Group plc</b>		
As at 1 August 2007 (1,000,000,000 at £0.001 each)	1,000,000,000	1,000
1 for 10 consolidation (100,000,000 at £0.01 each)	(900,000,000)	–
Increase in authorised share capital	200,000,000	2,000
<b>As at 31 December 2007</b>	<b>300,000,000</b>	<b>3,000</b>
<b>Issued and fully paid</b>		
<b>Oxford Advanced Surfaces Limited</b>		
At incorporation	2	–
Subdivision of shares	198	–
Issue of new ordinary shares	139,300	2
Issue of new ordinary share to the University of Oxford in exchange for exclusive license rights for core technology	15,000	–
<b>As at 31 July 2007</b>	<b>154,500</b>	<b>2</b>
<b>Oxford Advanced Surfaces Group plc</b>		
As at 1 August 2007	883,841,307	884
Consolidation (10 for 1)	(795,457,176)	–
Share subscription	12,000,000	120
Shares issued to acquire Oxford Advanced Surfaces Limited	77,539,907	775
<b>As at 31 December 2007</b>	<b>177,924,038</b>	<b>1,779</b>

Under reverse acquisition accounting principles the share capital presented at 31 December 2007 is that of the legal parent, Oxford Advanced Surfaces Group plc and the comparative is that of the legal subsidiary Oxford Advanced Surfaces Limited.

## Notes to the Financial Statements

Company	Number of Shares No.	Share Capital £'000
<b>Authorised</b>		
At incorporation	1,000,000,000	1,000
As at 31 January 2007	1,000,000,000	1,000
1 for 10 consolidation (100,000,000 at £0.01 each)	(900,000,000)	–
Increase in authorised share capital	200,000,000	2,000
As at 31 December 2007	300,000,000	3,000
<b>Issued and fully paid</b>		
At incorporation	–	–
Issue of new ordinary shares	450,000,000	450
As at 31 January 2007	450,000,000	450
Shares issued to acquire Oxford Energy Technologies Limited	433,841,307	434
Consolidation (10 for 1)	(795,457,176)	–
Share subscription	12,000,000	120
Shares issued to acquire Oxford Advanced Surfaces Limited	77,539,907	775
<b>As at 31 December 2007</b>	<b>177,924,038</b>	<b>1,779</b>

On 27 April 2007 the company issued 433,841,307 ordinary shares of 0.1 pence each at a premium of 0.9 pence each in exchange for the entire share capital of Oxford Energy Technologies Limited (formerly Solar Labs plc).

On 21 December 2007 the authorised share capital was increased from £1,000,000 to £3,000,000 by the creation of 2,000,000,000 ordinary shares of 0.1 pence each.

On 21 December 2007 the ordinary shares of 0.1 pence each were consolidated so that every ten ordinary shares of 0.1 pence each were consolidated into one new ordinary share of 1 pence each.

On 31 December the Company issued 77,539,907 ordinary shares of 1 pence each in consideration for Oxford Advanced Surfaces Limited at a premium of 24 pence per share and a further 12,000,000 ordinary shares of 1 pence each at a premium of 24 pence per share for cash consideration.

**14. SHARE PREMIUM**

Group	Group 31 December 2007 £'000	Group 31 July 2007 £'000	Company 31 December 2007 £'000	Company 31 January 2007 £'000
At beginning of period	694	–	2,937	–
Reverse acquisition	5,123	–	–	–
Shares issued for cash	–	544	2,880	3,150
Shares issued – other than for cash	–	150	–	–
Expenses relating to share issue	–	–	–	(213)
At end of the period	5,817	694	5,817	2,937

**15. MERGER RESERVE**

	Group and Company 31 December 2007 £'000	Group and Company 31 July/ 31 January 2007 £'000
At beginning of period	–	–
Shares issued on acquisition of Oxford Energy Technologies Limited	3,904	–
Shares issued on acquisition of Oxford Advanced Surfaces Limited	18,610	–
At end of the period	22,514	–

Merger reserve arises under Section 131 of the Companies Act 1985 on the shares issued by the Company to acquire Oxford Energy Technologies Limited and Oxford Advanced Surfaces Limited.

**16. REVERSE ACQUISITION RESERVE**

	Group 31 December 2007 £'000	Group 31 July 2007 £'000
At beginning of period	–	–
Reverse acquisition reserve following the acquisition of Oxford Advanced Surfaces Limited	(6,831)	–
At end of the period	(6,831)	–

As disclosed in note 1, the reverse acquisition reserve relates to the reverse acquisition between Oxford Advanced Surfaces Limited and Oxford Advanced Surfaces Group plc on 31 December 2007.

**17. PROFIT AND LOSS RESERVE**

	Group 31 December 2007 £'000	Group 31 July 2007 £'000	Company 31 December 2007 £'000	Company 31 January 2007 £'000
At beginning of period	(142)	–	(2)	–
Profit or loss during period	(615)	(142)	(347)	(2)
Share options exercised or cancelled during the period	8	–	–	–
At end of the period	(749)	(142)	(349)	(2)

**18. SHARE BASED PAYMENT RESERVE**

	Group 31 December 2007 £'000	Group 31 July 2007 £'000	Company 31 December 2007 £'000	Company 31 January 2007 £'000
At beginning of period	1	–	–	–
Share options issued during the period	394	1	387	–
Share options cancelled or exercised during the period	(8)	–	–	–
At end of the period	387	1	387	–

## Notes to the Financial Statements

### 19. LOSS PER SHARE (BASIC AND DILUTED)

The loss per share is based on the loss of £615,000 (31 July 2007: loss of £142,000) and 74,341,761 (31 July 2007: 59,921,132) 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 31 December 2007 is 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 31 July 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.

	31 December 2007	31 July 2007
Loss attributable to equity holders of the Group (£'000)	(615)	(142)
Weighted average number of ordinary shares in issue	74,341,761	59,921,132
Basic & diluted loss per share (pence)	(0.83)	(0.24)

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

### 20. FINANCIAL RISK MANAGEMENT

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. This is achieved through careful investment of surplus cash and tight budgetary control.

#### Significant accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 in the financial statements.

#### Categories of financial instrument

##### Financial assets

	31 December 2007 £'000	31 July 2007 £'000
Loans and other receivables (including cash and cash equivalents)	6,885	366

##### Financial liabilities

	31 December 2007 £'000	31 July 2007 £'000
Trade and other payables	142	25

The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables. There were no out of term financial assets or liabilities.

Currently the Group does not undertake any material transactions denominated in foreign currencies.

### Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. For banks and financial institutions only independently rated parties with a minimum rating of P1/A2 are used. For credit exposures to customers the Group assesses the likelihood of payment from various factors including external credit ratings, financial records and other relevant factors.

### Interest Rate Sensitivity

The following table illustrates the sensitivity of the consolidated loss for the period and equity to a reasonably possible change in interest rates of 1% with effect from the beginning of the period. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's cash and cash equivalents held at cash Balance Sheet date. All other variables are held constant.

	31 December 2007 +1% £'000	31 December 2007 -1% £'000	31 July 2007 +1% £'000	31 July 2007 -1% £'000
Loss for year	29	(29)	4	(4)
Equity	29	(29)	4	(4)

### Company

The financial risk factors faced by the Company are similar to those of the Group and are not disclosed separately.

## 21. RECONCILIATION OF LOSS BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group Period to 31 December 2007 £'000	Group Period to 31 July 2007 £'000	Company Period to 31 December 2007 £'000	Company Period to 31 January 2007 £'000
Profit/(loss) before tax	(615)	(142)	(337)	(2)
Depreciation and amortisation charges	9	13	–	–
Share based payment expense	394	1	387	–
Finance income	(11)	(14)	(186)	(50)
	(223)	(142)	(136)	(52)
Increase in trade and other receivables	54	(16)	(46)	(21)
Increase in trade and other payables	(28)	48	219	17
Cash generated from operations	(197)	(110)	37	(56)

## 22. MAJOR NON-CASH TRANSACTIONS

### Group and Company

The Company issued 77,539,907 1 pence ordinary shares on 31 December 2007, which were valued at 25 pence per share, for the entire share capital of Oxford Advanced Surfaces Limited.

The Company issued 12,000,000 1 pence ordinary shares on 31 December 2007 at a price of 25 pence per share, raising £3,000,000 to fund the costs of the acquisition and to provide working capital for the enlarged group.

The Company also issued share options as disclosed in note 24.

## Notes to the Financial Statements

### Company

The Company issued 433,841,307 0.1 pence ordinary shares for the entire share capital of Oxford Energy Technologies Limited (formerly Solar Labs plc).

### 23. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

#### Company

On 31 December 2007 the Company acquired 100% of the issued share capital of Oxford Advanced Surfaces Limited for cash consideration of £50,000 and 77,539,907 ordinary shares of 1 pence each issued at a premium of 24 pence each and incurred directly attributable acquisition costs of £434,000. The total cost of the combination was £19,869,000. Under IFRS 3, this transaction has been accounted for as a reverse acquisition.

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 subsidiary's 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. Including the cash consideration and the acquisition costs the total amount deemed to have been paid for the Company was £22,580,000.

	Kanyon Group plc 2007 £'000
<b>Net assets acquired:</b>	
Bank and cash	6,633
Trade and other receivables	67
Trade and other payables	(265)
<b>Net assets acquired</b>	<b>6,435</b>
Goodwill on acquisition	16,145
<b>Total consideration</b>	<b>22,580</b>
<b>Satisfied by</b>	
Cash	50
Shares issued	19,385
Costs associated with acquisition	434
	<b>19,869</b>
Reverse acquisition adjustment	2,711
	<b>22,580</b>

The fair value of the assets acquired has been assessed as the book value on the date of acquisition. Assets include £15,663,000 of goodwill which is allocated between two cash generating units, Oxford Energy Technologies Limited (£3,847,000) and Oxford Advanced Surfaces Group plc (£12,298,000). The reverse acquisition adjustment represent the difference between the cost of the consolidation as recognised in the Company compared to the cost as calculated under reverse acquisition accounting.

As the financial statements have been prepared under reverse acquisition accounting rules the results of Oxford Advanced Surfaces Group plc (formerly Kanyon plc) have been included in the consolidated financial statements from 31 December 2007. Oxford Advanced Surfaces Group plc and its subsidiary, Oxford Energy Technologies Limited, did not contribute any material revenues or losses since the date of acquisition. If Oxford Advanced Surfaces Group plc had been a member of the Group from 1 August 2007 it would have contributed Enil revenue and £369,000 loss.

The reverse acquisition reserve arises due to the treatment of equity on a reverse acquisition which uses the equity structure of the legal parent rather than that of Oxford Advanced Surfaces Limited.

The goodwill is attributed to the future profit potential of the two cash generating units.

## 24. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

#### Group

The details of the share option plans in Oxford Advanced Surfaces Limited were as follows:

	Approved EMI share option plan	Unapproved share option plan
Date of grant	23 November 2006	23 November 2006
Number granted	8,310	3,330
Contractual life	10 years	10 years
Vesting conditions	<p>1,385 options will vest on 6 September 2007, 2008 and 2009 respectively, or, if a sale occurs, before this date.</p> <p>2,077 options will vest if the company achieves aggregate revenue from commercial trading activities of £1m or more in any continuous twelve month period within three years from the date of the grant. 2,078 options will vest if the company achieves an aggregate revenue from commercial trading activities of £2.5m or more or starts to generate distributable profits in any continuous twelve month period within four years from the date of the grant.</p> <p>Both tranches of 2,077 and the 2,078 options are exercisable if the value of the company exceeds £30m by 23 November 2010.</p>	<p>1,110 options will vest on 6 September 2007, 2008 and 2009 respectively, or, if a sale occurs, prior to this date.</p>

## Notes to the Financial Statements

	Approved EMI share option plan	Unapproved share option plan
Date of grant	17 August 2007	17 August 2007
Number granted	15,465	11,722
Contractual life	10 years	10 years
Vesting conditions	<p>1,385 lapsed as there was not a sale on or before 5 September 2007 (compensating for loss of time vesting options granted on 23 November 2006)</p> <p>2,770 vest if there is a sale within 12 months from the date of grant (or on or before 5 September 2008 if earlier) (compensating for loss of time vesting options granted on 23 November 2006)</p> <p>5,655 vest on the first anniversary of an exit in 12 months from the date of grant.</p> <p>5,655 vest on the second anniversary of an exit in 12 months from date of grant.</p>	<p>2,220 vest if there is a sale within 12 months from the date of grant (or on or before 5 September 2008 if earlier) (compensating for loss of time vesting options granted on 23 November 2006)</p> <p>4,197 vest on the first anniversary of an exit in 12 months from the date of grant.</p> <p>4,195 vest on second anniversary of an exit in 12 months from date of grant.</p>

The estimated fair value of the options has been calculated using the Black-Scholes-Merton model. The model inputs were an exercise price and share price of £1.00/£0.65, expected volatility of 50%, and a risk free interest rate of 4.5%. The total fair value of the options granted to be included in the financial statements to 31 December 2007 is £7,000.

Further details of the two share option plans are as follows:

	Number of options	Weighted average exercise price
Outstanding at the start of year	11,640	0.65
Granted	27,187	1.00
Forfeited	–	–
Exercise conditions not met	(2,495)	1.00
Exercised	(8,310)	0.77
Cancelled	(28,022)	0.94
Outstanding at the end of the year	–	–
Exercisable at the end of the year	–	–

### Company

Prior to the reverse acquisition, Oxford Advanced Surfaces Limited operated an equity settled share option scheme. At the date of the reverse acquisition, 31 December 2007, the outstanding options in Oxford Advanced Surfaces Limited were replaced by options in Oxford Advanced Surfaces Group plc. The only vesting criterion of the outstanding options is that of continuation of service.

During the period to 31 December 2007, Oxford Advanced Surfaces Group plc had 3 share-based payment arrangements which are described below:

	Approved EMI share option plan	Unapproved share option plan	M L Sutcliffe share options (unapproved)
Date of grant	31 December 2007	31 December 2007	3 October 2006
Number granted	5,386,502	5,582,720	125,000
Contractual life	10 years	10 years	10 October 2011
Vesting conditions	2,693,251 of the options will vest on 31 December 2008 and 2,693,251 of the options will vest on 31 December 2009	1,585,946 of the options will vest on 31 December 2007, 1,998,388 of the options will vest on 31 December 2008 and 1,998,386 will vest on 31 December 2009	Exercisable upon the Company or any subsidiary, acquiring shares or other net assets (in accordance with the Company's ongoing investment strategy) where the aggregate consideration paid by the company exceeds £3,000,000

The estimated fair value of the options has been calculated using the Black-Scholes-Merton model. The model inputs were an exercise price of 1p, expected volatility of 50%, a share price of 25 pence and a risk free interest rate of 4.5%. The total fair value of the options granted to be included in the financial statements to 31 December 2007 is £387,000.

M L Sutcliffe was issued 5,000,000 share options on 3 October 2006 which were exercisable at any time before the fifth anniversary of original admission. The options will only vest if (i) the Company has acquired shares or net assets in accordance with the Company's investment strategy where the aggregate consideration paid (including any liability for debt assumed) exceeds £3 million; and (ii) following such acquisition or investment the middle market closing price for Ordinary Shares is 4 pence or more for a minimum of 30 consecutive business days.

The M L Sutcliffe options were amended on 28 March 2007 reducing the number of Ordinary Shares under option to 1,250,000 Ordinary Shares, with the vesting conditions as detailed above. Following the 1 for 10 share consolidation the number of shares under option is reduced to 125,000 10p Ordinary Shares.

The vesting conditions of the M L Sutcliffe share options have been met and will expire on 31 December 2008 if they are not exercised.

Further details of the share option plans within Oxford Advanced Surfaces Group plc are as follows:

	Number of options	Weighted average exercise price
Outstanding at start of year	5,000,000	0.01
Granted	10,696,222	0.01
Amended (& share consolidation)	(4,875,000)	0.01
Forfeited	—	—
Exercised	—	—
Outstanding at the end of the year	11,094,222	0.01
Exercisable at year end	1,710,946	0.02

The options outstanding at 31 December 2007 had a weighted average remaining contractual life of 9.76 years.

## Notes to the Financial Statements

### 25. RELATED PARTIES AND DIRECTORS' TRANSACTIONS

#### Group

During the period under review Dr M G Moloney received fees through Oxford University Consulting in relation to technical support to the Group for the sum of £9,000 (period ending 31 July 2007: £18,000). There were no amounts due at the end of the period (period ending 31 July 2007: £5,000).

#### Company

During the period under review a payment of fees relating management services was made to Ora Capital Partners Plc. The total amount in respect of these services was £13,000 (period ending 31 January 2007: £5,000). The balance outstanding at the end of the period was £2,000 (period ending 31 January 2007: £1,000). D R Norwood and M A Bretherton are Directors of Ora Capital Partners plc.

#### Remuneration of key management personnel

The remuneration of the directors and other key management personnel of the Group is set out below in aggregate.

	Period to 31 December 2007 £'000	Period to 31 July 2007 £'000
Salaries	53	79
Bonuses	15	–
Share-based payments	394	1
	462	80

Refer to the Directors' Report for further details of the remuneration of directors employed by the Company.

### 26. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, there is no ultimate controlling party.

### 27. POST BALANCE SHEET EVENTS

On 3 March 2008, 1,339,984 additional share options were granted, exercisable after a vesting period of three years. The fair value of the options granted is £765,000.

### 28. PARENT COMPANY INCOME STATEMENT

The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent Company's loss for the period to 31 December 2007 was £347,000 (period to 31 January 2007: loss £2,000).



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