

OXFORD ENERGY TECHNOLOGIES LIMITED
REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR TO 31 DECEMBER 2010

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OXFORD ENERGY TECHNOLOGIES LIMITED

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OXFORD ENERGY TECHNOLOGIES LIMITED

COMPANY INFORMATION **For the year to 31 December 2010**

DIRECTORS	Dr Mike Eason Philip Spinks
SECRETARY	Philip Spinks
REGISTERED OFFICE	Centre for Innovation and Enterprise Begbroke Science Park Sandy Lane Yarnton Oxfordshire OX5 1PF
AUDITORS	Ernst & Young LLP Apex Plaza Forbury Road Reading RG1 1YE
SOLICITORS	Mills & Reeve LLP Francis House 112 Hills Road Cambridge CB2 1PH Charles Russell LLP 7600 The Quorum Oxford Business Park North Oxford OX4 2JZ
REGISTERED NUMBER	05955337 (England and Wales)

OXFORD ENERGY TECHNOLOGIES LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2010

The directors present their report with the financial statements of the company for the year to 31 December 2010

PRINCIPAL ACTIVITY

Oxford Energy Technologies Limited (OET) is a unique research and development company that provides multinational industrial corporations with intellectual property (IP) solutions as a 'tool kit' to create engineered surface coatings and advanced materials

VISARC™, an internally developed technology that we are now marketing, is a wet-process anti-reflective coating for use on multiple substrates. A single layer formulation can be applied using dip or spin coating application and is adaptable for use with glass and polymers or plastics making it suitable for multiple applications from ophthalmic to electronic displays and potentially solar

REVIEW OF BUSINESS

OET has continued to build on the commercial interest shown in VISARC™ and has focussed the majority of its resources in preparing the technology for license across a number of specific markets, including eyewear, displays and solar. A notable success during the year was that our VISARC™ Anti-Reflective Coating was applied and tested at the facilities of two industry leading target licensees within the eyewear market. VISARC™ passed the demanding industry requirements for scratch and abrasion resistance and for optical quality which are the pre-requisites for market launch.

VISARC™ Anti-Reflective Coatings

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

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

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

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

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

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

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

The VISARC™ Anti-Reflective Coating pipeline is

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

The year to 31 December 2010 had a loss of £416,000 (2009 loss of £205,000). Of this £48,000 (2008 £47,000) related to share based payments for senior employees and performance related option awards under Oxford Advanced Surfaces Group plc's option scheme. Research and development costs amounted to £356,000 (2009 £223,000) driven by the increased scale of work on the VISARC™ technology. OET currently employs 7 full time staff all of whom are focused on research and development.

Outlook

The company is in a strong position with demonstrable technologies that should allow us to move from a pure research and development company into a licensing business. We have adequate funding from our parent in order to support this crucial step in our development.

BASIS OF PREPARATION

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

RISK REVIEW

Given the current straight forward nature of the business, the company's directors are of the opinion that analysis of Key Performance Indicators ("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.

OXFORD ENERGY TECHNOLOGIES LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2010

The key business risks affecting the company are set out below

Early stage operations

The company is at an early stage of development. It is difficult to predict if and when material revenues will arise and the company faces risks frequently encountered by developing companies. The company'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 company's business model involves focusing development on identified market needs and seeking commercial agreements to take the products to market.

Research and development risks

The company is involved in complex scientific areas and industry experience in such areas 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 which are therefore difficult to anticipate at present.

Attraction and retention of key employees

The company 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 company 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.

Intellectual property

A significant part of the company's future development and growth depends on its intellectual property. If intellectual property is inadequately protected, the company's future success could become adversely affected. The company may not be able to protect and preserve its intellectual property or to exclude competitors with competing technology products. The company continues to invest in the protection and expansion of its intellectual property portfolio. In addition the company 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

There can be no assurance that any current or future product development will be successfully developed into any commercially viable product or products. The company'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 company'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 company may fail to recover the losses incurred in the development process and may never achieve profitability.

The company's strategy of developing products to meet identified market needs and where applicable under joint development agreements with leading companies in large and valuable market applications is designed to maximise the chance of adoption and drive mass market uptake.

DIVIDENDS

No dividends were distributed during the period under review (2009: £nil).

DIRECTORS

The directors during the period under review were:

Dr Mike Eason
Philip Spinks

On 22 February 2011 Dr Mike Eason gave notice to leave the company and he will resign later today 29 March 2011.

DIRECTORS' INTERESTS

At 31 December 2010 the directors hold no interest in the shares of the company, which are held in their entirety by the ultimate parent company, Oxford Advanced Surfaces Group plc.

DIRECTORS' REMUNERATION

The directors did not receive any remuneration for their work with Oxford Energy Technologies Limited.

EMPLOYMENT POLICIES

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

RESULTS

The trading loss for the year was £416,000 (2009: £205,000 loss) which has been transferred to reserves. Charges for share based payments amounted to £48,000 for the year (2009: £47,000).

POLICY ON PAYMENT OF CREDITORS

It is company 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 year ended 31 December 2010, trade creditor days stood at 23 (2009: 8).

OXFORD ENERGY TECHNOLOGIES LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2010

GOING CONCERN

The directors believe that the diversity of both the technology portfolio and customer base should allow the company to continue to operate under the current economic climate. The directors confirm that they are satisfied that the company has access to 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 directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the company financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 that, as far as they are aware, there is no relevant audit information (as defined by Section 418(2) of the Companies Act 2006) of which the company's auditors are unaware, and that 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

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution for re-appointment in accordance with Section 489(1) of the Companies Act 2006 will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD



Dr Mike Eason
Director
29 March 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF OXFORD ENERGY TECHNOLOGIES LIMITED

We have audited the financial statements of Oxford Energy Technologies Limited for the year ended 31 December 2010 which comprise the statement of financial position, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Debbie O'Hanlon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
29 March 2011

OXFORD ENERGY TECHNOLOGIES LIMITED

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME For the year to 31 December 2010

	Notes	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
CONTINUING OPERATIONS			
Revenue		109	81
Cost of sales		(133)	(60)
GROSS PROFIT		(24)	21
Research and development costs		(356)	(223)
Other administrative costs		(32)	(27)
Share based payments		(48)	(47)
Total administrative costs		(437)	(297)
LOSS FROM OPERATIONS	4	(460)	(276)
LOSS BEFORE TAX		(460)	(276)
Income tax credit	5	44	71
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(416)	(205)

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

OXFORD ENERGY TECHNOLOGIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
For The Year to 31 December 2010**

	Share Equity £'000	Share Premium £'000	Share Based Payment Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2009	152	470	38	(266)	394
Total comprehensive loss for the year to 31 December 2009	-	-	-	(205)	(205)
Share based payments	-	-	47	-	47
At 31 December 2009	152	470	85	(471)	236
Total comprehensive loss for the year to 31 December 2010	-	-	-	(416)	(416)
Share based payments	-	-	48	-	48
At 31 December 2010	152	470	133	(887)	(132)

OXFORD ENERGY TECHNOLOGIES LIMITED

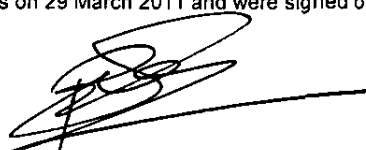
STATEMENT OF FINANCIAL POSITION
31 December 2010

		31 December 2010 £'000	31 December 2009 £'000
	Notes		
ASSETS			
NON-CURRENT ASSETS			
Loan to parent company	8	-	58
Intangible assets	6	29	14
Property, plant and equipment	7	119	84
		148	156
CURRENT ASSETS			
Trade and other receivables	8	78	104
Cash and cash equivalents	9	10	5
		88	109
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	37	29
NET CURRENT ASSETS		51	80
LIABILITIES			
NON-CURRENT LIABILITIES			
Loan from parent	10	331	-
NET (LIABILITIES)/ASSETS		(132)	236
SHAREHOLDERS EQUITY			
Called up share capital	11	152	152
Share premium	12	470	470
Retained earnings	13	(887)	(471)
Share based payments reserve	14	133	85
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(132)	236

The financial statements were approved by the Board of Directors on 29 March 2011 and were signed on its behalf by



Dr Mike Eason
Director



Philip Spinks
Director

OXFORD ENERGY TECHNOLOGIES LIMITED

CASH FLOW STATEMENT
For the year to 31 December 2010

	Notes	Year to 31 December 2010 £'000s	Year to 31 December 2009 £'000s
Loss before tax		(460)	(276)
Depreciation and amortisation charges		39	25
Loss on disposal of property, plant and equipment		3	-
Share based payment expense		48	47
		(370)	(204)
Decrease/(Increase) in trade and other receivables		5	(9)
Increase/(Decrease) in trade and other payables		8	(45)
Cash outflow from operations		(357)	(258)
Income tax received		65	-
Net cash outflow from operating activities		(292)	(258)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3	-
Purchase of intangible assets		(16)	(15)
Purchase of property, plant and equipment		(79)	(80)
Net cash inflow from investing activities		(92)	(95)
Net cash from financing activities			
Inflow from loan to/from parent		389	343
Net cash inflow/(outflow) from financing activities		389	343
Increase/(Decrease) in cash and cash equivalents		5	(10)
Cash and cash equivalents at beginning of year		5	15
Cash and cash equivalents at end of year	9	10	5

OXFORD ENERGY TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year to 31 December 2010

1 ACCOUNTING POLICIES

GENERAL INFORMATION

Oxford Energy Technologies Limited ("the company") is a unique research and development company that provides multinational industrial corporations with intellectual property (IP) solutions as a 'tool kit' to create engineered surface coatings and advanced materials

VISARC™, the internally developed technology, is a wet-process anti-reflective coating for use on multiple substrates. A single layer formulation can be applied using dip or spin coating application and is adaptable for use with glass and polymers or plastics making it suitable for multiple applications from ophthalmic to electronic displays and potentially solar

Going Concern

Information on the business environment and the factors underpinning the company's financial position, future prospects and product portfolio are included in the directors' report. The directors believe that the diversity of the technology portfolio and customer base should allow it to continue to operate in the current economic climate. The directors confirm that they are satisfied that the company 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The company's functional and reporting currency is Sterling

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the company financial statements are disclosed later in this note

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods

Development agreements

Revenue from joint development agreements is recognised following contractual entitlement. This typically comprises either time based fees, time and materials expended or time and technical milestones achieved, as agreed between the parties

Grant funding

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. Where the company receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to the income statement over the expected useful life of the relevant asset by equal annual instalments

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the company operates and generates taxable income

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

Deferred tax liabilities are recognised for all taxable temporary differences, except

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

OXFORD ENERGY TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year to 31 December 2010

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or in profit or loss

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

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 company. 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 company intends to complete the intangible asset and use or sell it,
- The company has the ability to use or sell the intangible asset,
- The intangible asset will generate probable future economic benefits. Among many other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits,
- That the company 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 company 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

OXFORD ENERGY TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year to 31 December 2010

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 on a reducing balance basis over their expected useful lives as follows

Plant and machinery	4 years
Office furniture and fittings	4 years
Computer and IT equipment	3 years

Impairment of assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (as is the case for goodwill and indefinite-lived intangible assets including investments in subsidiaries), the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost is determined using the first in, first out method.

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.

Leases

Leases in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Share-based payments

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 the share-based payment 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.

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Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those followed in the preparation of the company's annual financial statements for the year ended 31 December 2009 which included implementation of the improvements to IFRSs issued in May 2008 and April 2009. There are no new standards and interpretations to be adopted in these financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Share based payments

Employee and director compensation in the form of shares are provided under share option schemes. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The expense is based on a number of assumptions disclosed in note 18. The selection of different assumptions could affect the future results of the company.

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

2 SEGMENTAL REPORTING

The company only operates one class of business. At 31 December 2010 the company has one segment of operation – the development and commercialisation of advanced materials and technology solutions. The company's operations are all based in the UK and services are all performed in the UK. There is no geographic split of revenues by location of customer, as most customers are global corporations and the business is not considered to be seasonal.

Grant income recognised in revenue totalled £19,000 for the year to 31 December 2010 (2009: £81,000). All other revenue comprised customer fees.

3 EMPLOYEES AND DIRECTORS

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Wages and salaries	186	137
Social security costs	19	15
Share-based payment (note 18)	48	47
	253	199

The average monthly number of employees of the Company (including executive directors) during the period were:

	Year to 31 December 2010	Year to 31 December 2009
Administration	-	-
Technical	6	4
	6	4

No remuneration was paid to directors for either year. No pension contributions were made on behalf of the directors. Details regarding the share option scheme can be found under note 18.

4 OPERATING LOSS

The operating loss is stated after charging:

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Research and development costs	356	223
Share based payments	48	47
Depreciation of property, plant and equipment – owned	38	24
Amortisation of intangible assets – patents	1	1
Auditor's remuneration		
Fees payable to the company's auditor for audit of the company accounts	10	10
Fees payable to the company's auditor and its associates for other services	3	2

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5 INCOME TAX EXPENSE

a) Current tax

The current tax credit in the income statement for the year is detailed below. Current tax expense is lower than the standard rate of corporation tax in the UK of 28.0% (2009: 28.0%). The differences are reconciled below.

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Loss before tax	(460)	(276)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28.0%)	(129)	(77)
Effects of:		
Expenses not deductible for tax purposes	13	9
Additional deduction for R&D expenditure	(52)	(39)
Movement on temporary differences not recognised	(9)	(11)
Unrelieved tax losses and other deductions arising in the year	76	31
Losses surrendered for research and development	50	44
Prior year adjustment	6	(28)
Tax credit	(44)	(71)

Unrelieved tax losses of £537,327 at 31 December 2010 (2009: £229,786) remain available indefinitely to offset against future taxable trading profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

b) Deferred tax

Unrecognised deferred tax assets at 27% (2009: 28%)

	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Tax losses carried forward	145	64
Accelerated capital allowances	(32)	(24)
Share based payments	10	-
Deferred tax assets (unrecognised)	123	40

Deferred tax assets have not been recognised as the recoverability is uncertain.

In his Budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position. The Budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually, in separate Finance Acts in each of the four years. This reduction will affect both the future and current tax charge of the company.

The effect on the company of these proposed changes to the UK tax system will be reflected in the company's financial statements in future years, as appropriate, once the proposals have been substantially enacted.

The Finance Bill 2010 which included the reduction in the UK corporation tax rate to 27% was substantially enacted on 21 July 2010. Therefore deferred tax assets and liabilities as at 31 December 2010 have been calculated at this rate.

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6 INTANGIBLE ASSETS

	Patents & licenses £'000
COST	
At 1 January 2009	-
Additions	15
As 31 December 2009	15
Additions	16
At 31 December 2010	31
AMORTISATION & IMPAIRMENT	
At 1 January 2009	-
Amortisation for year	1
At 31 December 2009	1
Amortisation for year	1
At 31 December 2010	2
NET BOOK VALUE	
At 31 December 2009	14
At 31 December 2010	29

The average remaining life of patents is 18.8 years

7 PROPERTY, PLANT AND EQUIPMENT

	Plant & machinery £'000	Fixtures & fittings £'000	Computer equipment £'000	Totals £'000
COST				
At 1 January 2009	29	1	3	33
Additions	80	-	-	80
At 31 December 2009	109	1	3	113
Additions	74	-	5	79
Disposals	(8)	(1)	-	(9)
At 31 December 2010	175	-	8	183
DEPRECIATION				
At 1 January 2009	5	-	-	5
Charge for year	22	1	1	24
At 31 December 2009	27	1	1	29
Charge for year	35	-	3	38
Disposals	(2)	(1)	-	(3)
At 31 December 2010	60	-	4	64
NET BOOK VALUE				
At 31 December 2009	82	-	2	84
At 31 December 2010	115	-	4	119

No assets were held under finance leases

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8 TRADE AND OTHER RECEIVABLES

	31 December 2010 £'000	31 December 2009 £'000
Non-current		
Loans from parent	-	58
Current		
Corporation tax due	50	71
VAT receivable	9	3
Prepayments	19	30
	78	104

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 2010 or 31 December 2009.

9 CASH AND CASH EQUIVALENTS

	31 December 2010 £'000	31 December 2009 £'000
Cash at bank and in hand	10	5

10 TRADE AND OTHER PAYABLES

	31 December 2010 £'000	31 December 2009 £'000
Current		
Trade payables	17	3
Social security and other taxes	6	4
Accrued expenses	14	22
	37	29
Non-current		
Loans from parent	331	-

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

Oxford Advanced Surfaces Group plc provides working capital financing to Oxford Energy Technologies Limited on an as needs basis. No interest is charged on the loan and the loan is repayable as and when Oxford Energy Technologies Limited has available cash that is not required for working capital investment or growth.

11 CALLED UP SHARE CAPITAL

	Number of Shares	Share Capital £'000s
Issued and fully paid		
At 1 January and 31 December 2009 & 2010	15,222,502	152

12 SHARE PREMIUM

	31 December 2010 £'000	31 December 2009 £'000
At beginning and end of the year	470	470

13 PROFIT AND LOSS RESERVE

	31 December 2010 £'000	31 December 2009 £'000
At beginning of the year	(471)	(266)
Loss during the year	(416)	(205)
At end of the year	(887)	(471)

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14 SHARE BASED PAYMENTS RESERVE

	31 December 2010 £'000	31 December 2009 £'000
At beginning of year	85	38
Charge in respect of share options for the year	48	47
At end of the year	133	85

15 FINANCIAL RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure that it 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	Year to 31 December 2010	Year to 31 December 2009
Loan assets and other receivables (including cash and cash equivalents)	68	79
Financial liabilities	Year to 31 December 2010	Year to 31 December 2009
Trade and other payables	17	3

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

Credit risk

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 strong credit rating are used. For credit exposures to customers the Company assesses the likelihood of payment from various factors including external credit ratings, financial records and other relevant factors.

Interest Rate Sensitivity

Due to the minimal cash and cash equivalent balances held in the company the impact of any likely change in interest rates is immaterial.

16 RELATED PARTY DISCLOSURES

At the year end an interest free loan from the parent, Oxford Advanced Surfaces Group plc, of £331,000 (2009: nil) was outstanding. The company made an interest free loan to the parent, Oxford Advanced Surfaces Group plc, which at the yearend amounted to £nil (2009: £58,000). The outstanding loan is repayable on demand and carries no interest charge.

During the year Oxford Advanced Surfaces Group plc (OASG) invoiced development fees amounting to £90,000 and grant income amounting to £19,000 on behalf of Oxford Energy Technologies Limited (OET). In addition OASG paid costs amounting to £33,000 relating to the Knowledge Transfer Partnership with the University of Oxford via the Technology Strategy Board. In all circumstances OASG acted as an intermediary due to its position as the provider of financial support to the subsidiaries of the group.

In addition Oxford Advanced Surfaces Group plc made pension contributions on behalf of employees of Oxford Energy Technologies Limited of £1,000 (2009: nil). These contributions represent the salary sacrifice element made by employees under the defined contribution scheme operated by the Group on behalf of all employees.

At the year end the Board did not consider any employees to be key to the Company other than the Directors. The Directors received no remuneration for the year or the prior period.

17 ULTIMATE CONTROLLING PARTY

The immediate parent company is Oxford Advanced Surfaces Group plc, a company registered in England and Wales. The directors are of the opinion there is no ultimate controlling party.

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18 SHARE-BASED PAYMENT TRANSACTIONS

Oxford Energy Technologies Limited does not operate a share option scheme. However the parent company, Oxford Advanced Surfaces Group plc operates an equity settled share option scheme in which a number of personnel employed by Oxford Energy Technologies Limited have been granted options during the year. The only vesting criterion of the outstanding options was that of continuation of service.

The estimated fair value of the options has been calculated using the Black-Scholes-Merton model. The model inputs were a share price of between £0.160 and £0.74, an exercise price of between £0.01 and £0.74, expected volatility of between 16% and 123% (using an annualised standard deviation of the continuously compounded historical rates of return on the share until 31 December 2009 and from then on using an annualised standard deviation of the continuously compounded historical rates of return on all the shares listed on AIM), and a risk free interest rate of between 0.5% and 4.5% (all dependent on the date of the grant). The total fair value of the options granted to be included in the financial statements to 31 December 2010 is £48,000.

The scheme's period is 10 years from the date of issue with vesting occurring after the first 3 years and settlement in equity.

Details of the share option plans are as follows,

	Number of options	Exercise price £
Outstanding at the start of year	310,397	0.348
Granted	65,000	0.160
Outstanding at the end of the year	375,397	0.315
Exercisable at the end of the year	-	-

There were no options exercisable at the end of the year. The weighted average fair value of the options issued during the year was £1,000 (2009: nil) and the weighted average life is 7 years 7 months.

19 POST BALANCE SHEET EVENTS

On 1 January 2011 25,000 options were issued to staff members of Oxford Energy Technologies Limited as part of the group's reward and retention policy. The options were issued at the market price of 23.5 pence per share and vest 3 years from the date of issue. There are no performance conditions attached to the options and they expire ten years from the date of issue.

On 22 February 2011 Dr Mike Eason gave notice to leave the company and he will resign later today 29 March 2011. Mike was appointed to the Board of Oxford Advanced Surfaces Group plc as Managing Director on 1 October 2009. Mike's technical skills and commercial background have proved valuable in taking the company forward to a stage where it has achieved independent technical validation of its key technologies.