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Interim Report
for the period ended 30 June 2007

Oxonica plc
Leaders in Nanotechnology

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The Group's mission is to develop innovative commercial solutions for international markets using expertise in the design and application of nanomaterials.

Highlights

Revenue rose 142% to £3.1m (1H06: £1.3m).

Gross profit increased by 59% to £1.2m (1H06: £0.8m).

Operating loss was £3.2m (1H06: £2.9m).

Oxonica Energy: Envirox™ impacted by loss of Petrol Ofisi contract in Turkey following inconclusive trial results. Actions taken to successfully resolve contractual issues, reduce costs and rebuild product trial programme.

Oxonica Materials: Optisol™ sales more than doubled to £265,000 (1H06: £108,000) and now incorporated into 27 formulations, by 14 customers in 9 countries.

Oxonica Security booked purchase orders totaling US\$1.2m for a number of development products as part of a project with one of its existing customers. Further purchase orders worth US\$525,000 in 2008 are contingent on achievement of technical milestones.

Oxonica Diagnostics secures follow-on research agreement with BD.

Oxonica plc is in advanced discussions regarding an equity fundraising.

Introduction

Apart from the loss of the major contract in the Energy business, the Group's products continued to make good progress in the first half of 2007. Optisol™ in particular performed well, more than doubling sales compared to the previous year, and in June, Oxonica's security business booked a series of purchase orders, deliverable in the second half of the year, which represent a major step forward in the commercialisation of Oxonica's security technology.

The Energy business started the year well, but the inconclusive result from a track trial resulted in the loss of its contract for Envirox™ with Petrol Ofisi, the leading national oil company in Turkey. Unfortunately, the materiality of this contract to the Group and the initial uncertainties associated with the contract termination meant that the Board had no option but to suspend the Company's shares from trading on 27 April 2007 until the position with Petrol Ofisi could be clarified. Having resolved the position and taken steps to reduce costs, Oxonica's share suspension was

lifted on 5 June 2007. However, the impact of the loss of this major contract necessitated a detailed strategic review of the business by the Board and has resulted in the Company needing to raise additional equity funds.

Oxonica is in advanced discussions regarding an equity fundraising to meet ongoing working capital requirements and will update shareholders on progress in due course.

Results

In the six months ended 30 June 2007 revenue was £3.1m (2006: £1.3m), an increase of 142% compared with the same period last year. However, £2.1m of this (2006: £0.3m) consisted of sales of Envirox™ to Petrol Ofisi under the contract which was terminated on 22 May 2007. Excluding these sales, revenues for Envirox™ were slightly lower than in the prior year, mainly due to the loss of the Stagecoach London depots following the sale of their London operations, which marginally offset new sales into Italy and Germany. Optisol™ sales rose by 145% to £265,000 (2006: £108,000) with increased sales to Boots as the use of Optisol™ was further extended across their Soltan range and also higher sales into the important Korean market. Sales at

Oxonica Inc were 30% higher than in the prior year, partly due to the fact that the prior year figures were for only five months. Revenue does not include grant income received or the contract termination settlement with Petrol Ofisi which are included under Other Operating Income of £852,000 (2006: £252,000).

The gross margin reduced from 60% to 39% mainly due to the impact of the inventory write-down associated with the cancellation of the Petrol Ofisi contract. Development, sales and marketing and administration costs increased by 35% to £5.2m (2006: £3.9m) partly as a result of increased investment in the diagnostics business in the US and partly due to the costs associated with the termination of the Petrol Ofisi contract. The operating loss increased by 11% to £3.2m (2006: £2.9m). The cash outflow before financing was up 56% at £4.2m (2006: £2.7m) of which £1.8m resulted from adverse working capital movements mainly associated with the termination of the Petrol Ofisi contract. Cash balances, including short term deposits, at the end of the period were £2.5m (2006: £2.8m).

Oxonica Energy continues to supply Envirox™ to existing customers in the UK, Germany, Italy and New Zealand

Business overview

The Board is restructuring the Group into two separate divisions, Oxonica Nanomaterials and Oxonica Diagnostics. The Nanomaterials division will comprise the Energy, Materials and Security businesses (including Optisol™ UV absorber) and the Diagnostics division will consist of the Group's activities in the detection of diseases and biological markers for clinical, veterinary, food and bioterrorism markets. This reorganisation recognises the differences between supplying nanomaterials for a variety of uses and developing a biodiagnostics business where nanomaterials are typically integrated into a full diagnostic system.

Oxonica Nanomaterials

Energy: The Energy business comprises the Envirox™ fuel borne catalyst with demonstrated improvements in fuel economy and reduced emissions for diesel vehicles.

Having entered into an agreement in August 2006 to supply Envirox™ to Petrol Ofisi A.S. for incorporation into their high sulphur diesel throughout the nationwide distribution network in Turkey, it was very disappointing to lose this business in the first half of 2007 following an inconclusive trial result. Regrettably, the statistical

variability in the fuel usage data from the track trial in Turkey increased during the course of the trial to the point that it was impossible to make a definitive statement as to the effect of Envirox™ on fuel economy. Notwithstanding the setback with Petrol Ofisi, Oxonica Energy continues to supply Envirox™ to existing customers in the UK, Germany, Italy and New Zealand with Stagecoach being the largest single customer. A number of new trials are ongoing both in the UK and overseas in bus and truck fleets with blue-chip potential customers to further build the credibility of the product and facilitate the sales cycle. Stagecoach, the largest customer for Envirox™, is currently conducting a further trial to affirm the effectiveness of Envirox™ in its fleet, as envisaged at the time of the original agreement with Oxonica. The trial is expected to be finalised by the end of 2007.

With regard to the patent dispute with Neuftec, as announced on 12 July 2007, Neuftec has confirmed that its granted European patent does not cover the Envirox™ formulation currently sold by Oxonica. The remaining issue relates to whether or not royalties are payable on the current formulation up to the date of termination of the licence by Neuftec on 26 February 2007. While Oxonica

has been advised that its prospects of success are good, a provision has nevertheless been established to offset any additional royalties which may ultimately be payable. Legal costs are being expensed as incurred and the Neuftec licence, which was being carried in the balance sheet as an intangible fixed asset at a value of £135,000, has been written-off.

Oxonica has continued to pursue its submission for US EPA registration in order to be able to sell Envirox™ into the USA for on-road use. The EPA has now confirmed that Envirox™ has met all the requirements for Tier 1 approval. However, EPA has requested that certain additional information is provided before they consider whether or not to grant Tier 1 approval and this may require further testing to be carried out.

Materials: Oxonica Materials comprises the Optisol™ and Solacor™ UV absorbers – advanced photostable UV protection materials for personal care and industrial applications. Optisol™, which improves the performance of sunscreens and anti-ageing products, was launched successfully in Boots' Soltan facial sun defence cream in 2005 and extended into the Soltan Once range in 2006. Optisol™ performed strongly in the first half of 2007 with sales

significantly ahead of plan and considerably higher than the previous year. The product is now being used in 27 formulations, by 14 customers in 9 countries. In April 2007, Croda, Oxonica's principal distribution partner for Optisol™, launched a pre-dispersed form of the product designed to help customers incorporate Optisol™ into their personal care formulations quicker and more effectively. This important development should shorten customers' lead times and accelerate sales growth.

Development of Solacor™ for the industrial markets of coatings and plastics has been mainly focused on securing application data to validate that the material acts to protect substrates from degradation by sunlight which typically affects colour, mechanical strength and performance. The product is currently in long term evaluation programmes with a number of blue-chip industrial partners and progress is being made in securing a manufacturing partner to allow Oxonica to address this market.

Security: Subsequent to the acquisition of Nanoplex Technologies Inc. in February 2006, Oxonica established Oxonica Security in order to pursue a number of commercial applications for nanotechnology based marker systems for anti-counterfeiting

and brand protection. The market for this anti-counterfeiting technology comprises applications in high value documents, tax stamps, pharmaceuticals, fuel and luxury goods. In June 2007, Oxonica secured a series of purchase orders totaling US\$1.16m for a number of development products to be delivered over the following nine months as part of a project with one of its existing customers. In addition, further purchase orders worth US\$525k are contingent on the achievement of intermediate technical milestones. These orders represent significant progress in moving Oxonica's security technology towards product development on a commercial scale and the Group is evaluating the strategic options for the further development of this business.

Oxonica Diagnostics

The Diagnostics business, which consists of the Group's activities in the detection of diseases and biological markers for clinical, veterinary, food and bioterrorism markets, is progressing rapidly both technically and commercially with promising potential to enable significant advances in point of care diagnostics. Oxonica continues to develop its relationship with BD and the two companies signed a follow-on

research agreement shortly after the half-year end. Oxonica has also commenced evaluations with a number of other global diagnostics companies. In order to exploit the potential for this business and develop the necessary infrastructure to support customer development activities the Diagnostics business is likely to require substantial investment over the next few years. The Group is therefore evaluating alternative options for financing this business including strategic partnering, joint venturing or separate equity funding.

Board

As announced on 19 July 2007, immediately following the AGM I joined the Board as Deputy Chairman and have since been focused on leading Oxonica's fundraising efforts. Christopher Moore indicated at the AGM that he intended to step down from the Board following an orderly handover of the Chairmanship and he left the Board on 27 September 2007. Bob Pettigrew and Charles Eld also stepped down from the Board on this date. On behalf of the Board, I would like to thank Christopher, Bob and Charles for their valuable contribution to Oxonica, in particular during the capital restructuring, placing and admission to trading on AIM and the subsequent

acquisition and integration of Nanoplex Technologies Inc. Following Christopher's departure, I have now taken over as Chairman of the Board.

Also on 19 July 2007, Foresight Venture Partners, the Investment Adviser to the Foresight Funds and TriVest, together the largest combined shareholder Group in Oxonica, was granted observer status at Board meetings. David Hughes, a Foresight partner with over 30 years of venture capital and corporate finance experience with smaller listed companies, has been attending Board meetings as the nominated representative.

Management and staff

The first half of 2007 has been a challenging period for the management and staff, particularly as we lost 10 employees through redundancy as part of the cost reduction exercise following the termination of the Petrol Ofisi contract. At 30 June, after the redundancies, the Group had 51 employees of which 29 (57%) were based in California. On behalf of the Board, I would like to express our sincere appreciation to all our employees for their sustained efforts and continued support.

Future outlook

As a result of the termination of the contract with Petrol Ofisi, the Group's sales revenues for the full year to December 2007 will be substantially lower than the previous year. However, a pipeline of new customer opportunities for Envirox™ has been re-established and sales of Optisol™ continue to gather momentum. In addition, the development of the diagnostics platform continues to be very encouraging and exciting opportunities are emerging for the security technology as well as for Solacor™ in a range of industrial applications including plastics, polymers and coatings. Cash balances as at 27 September 2007 were £1.5m.

Despite the setback with Petrol Ofisi in the Energy business, the Board continues to see very considerable potential for Oxonica.



Richard Farleigh

Chairman

28 September 2007

The sales of Optisol™ continue to gather momentum

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the Consolidated income statement, Consolidated statement of recognised income and expense, Consolidated balance sheet, Consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules which require that the interim report must be presented and prepared in a form consistent with that which will be adopted in the Group's annual financial statements having regard to the accounting standards applicable to such annual financial statements.

As disclosed in note 1 to the financial information, the next annual financial statements of the Group will be prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRSs as adopted by the European Union.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Emphasis of matter - Going concern

In forming our conclusion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern.

The Group incurred a net loss of £3,080,000 during the six month period ended 30 June 2007 and, at that date, the Group's cash resources amounted to £2,529,000, which is insufficient to meet expected working capital requirements for a period of 12 months from the date of approval of these financial statements. The directors are currently in negotiations with potential fund providers and consider that the Group will be successful in raising additional debt and equity funding. Nevertheless, the conditions noted above, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material

uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

KPMG Audit Plc

Chartered Accountants
Arlington Business Park
Theale, Reading, RG7 4SD

Consolidated Income Statement

For the period ended 30 June 2007

	<i>Six months to 30 June 2007 Unaudited £'000</i>	<i>Six months to 30 June 2006 Unaudited £'000</i>	<i>Year to 31 December 2006 Unaudited £'000</i>
Revenue	3,101	1,280	10,229
Cost of sales	(1,883)	(510)	(4,304)
Gross profit	1,218	770	5,925
Other operating income	852	252	377
Research and development	(1,036)	(626)	(2,384)
Sales and marketing and administration expenses	(4,082)	(3,275)	(6,559)
Write-off of intangible asset	(135)	-	-
Operating loss	(3,183)	(2,879)	(2,641)
Financial income	122	72	169
Financial expenses	(18)	(27)	(54)
Loss before tax	(3,079)	(2,834)	(2,526)
Income tax (expense) / credit	(1)	(9)	114
Loss for the period attributable to equity holders of the parent	(3,080)	(2,843)	(2,412)
Basic and diluted loss per share	(6.82)p	(6.94)p	(5.77)p

Consolidated Statement of Recognised Income and Expense

For the period ended 30 June 2007

	<i>Six months to 30 June 2007 Unaudited £'000</i>	<i>Six months to 30 June 2006 Unaudited £'000</i>	<i>Year to 31 December 2006 Unaudited £'000</i>
Loss for the period	(3,080)	(2,843)	(2,412)
Exchange differences on translation of foreign operations	(2)	(214)	71
Total recognised income and expense for the period attributable to equity shareholders	(3,082)	(3,057)	(2,341)

Consolidated Balance Sheet

As at 30 June 2007

	30 June 2007 <i>Unaudited</i> £'000	30 June 2006 <i>Unaudited</i> £'000	31 December 2006 <i>Unaudited</i> £'000
Assets			
Non-current assets			
Intangible assets	13,254	13,432	13,498
Property, plant and equipment	664	783	731
Total non-current assets	13,918	14,215	14,229
Current assets			
Inventories	311	417	477
Trade and other receivables	1,955	920	852
Cash and cash equivalents	2,529	2,756	6,836
Total current assets	4,795	4,093	8,165
Total assets	18,713	18,308	22,394
Equity			
Issued share capital	453	418	428
Share premium	22,522	17,888	18,971
Shares to be issued	-	4,225	4,225
Other reserves	9,953	9,953	9,953
Retained earnings	(17,033)	(15,882)	(14,927)
Total equity attributable to the shareholders of the parent	15,895	16,602	18,650
Liabilities			
Current liabilities			
Interest bearing loans and borrowings	164	173	166
Trade and other payables	2,489	1,111	3,331
Total current liabilities	2,653	1,284	3,497
Non-current liabilities			
Interest-bearing loans and borrowings	165	422	247
Total non-current liabilities	165	422	247
Total liabilities	2,818	1,706	3,744
Total equity and liabilities	18,713	18,308	22,394

Consolidated Cash Flow Statement

For the period ended 30 June 2007

	<i>Six months to 30 June 2007 Unaudited £'000</i>	<i>Six months to 30 June 2006 Unaudited £'000</i>	<i>Year to 31 December 2006 Unaudited £'000</i>
Cash flows from operating activities			
Net loss	(3,183)	(2,879)	(2,641)
Depreciation and other amortisation	274	233	557
Equity settled transactions	260	114	353
Operating cash flow before changes in working capital, interest and taxes	(2,649)	(2,532)	(1,731)
Decrease/(increase) in inventories	167	(5)	(66)
(Increase)/decrease in trade and other receivables	(1,159)	301	462
(Decrease)/increase in trade and other payables	(761)	(305)	1,952
Cash generated from operations	(4,402)	(2,541)	617
Interest received	122	72	169
Interest paid	(18)	(27)	(54)
Income tax received/(paid)	30	(9)	(5)
Operating cash flow	(4,268)	(2,505)	727
Cash flows from investing activities			
Capital expenditure	(111)	(145)	(318)
Acquisition of subsidiaries net of cash acquired	–	(66)	(66)
Loss on disposal of intangible asset	147	–	–
Net cash used in investing activities	36	(211)	(384)
Free cash flow	(4,232)	(2,716)	343
Cash flows from financing activities			
Proceeds from the issue of share capital	64	–	1,117
New bank loans	–	514	514
Repayment of bank loans	(137)	(97)	(282)
Net cash used in financing activities	(73)	417	1,349
Net (decrease)/increase in cash and cash equivalents	(4,305)	(2,299)	1,692
Cash and cash equivalents at the beginning of the year	6,836	5,066	5,066
Effect of exchange rates on cash	(2)	(11)	78
Cash and cash equivalents at the end of the year	2,529	2,756	6,836

Notes to the Interim Report

For the period ended 30 June 2007

1. Statement of compliance

The AIM Rules require that the next annual consolidated financial statements of the company, for the year ending 31 December 2007, be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU ("adopted IFRSs").

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective (or available for early adoption) at 31 December 2007 or are expected to be endorsed and effective (or available for early adoption) at 31 December 2007, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied, which are as set out on the Group's website at www.oxonica.com, when the first annual IFRS financial statements are prepared for the year ending 31 December 2007.

In addition, the adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 December 2007 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2007.

2. Going concern

The interim financial statements are prepared on a going concern basis which the directors believe continues to be appropriate. The Group meets its day to day working capital requirements through existing cash resources which currently amount to £1.5 million. The directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with potential fund providers, the directors consider that the Group will be successful in raising sufficient additional funding. However, the directors recognise that there can be no certainty in relation to these matters, which may cast significant doubt on the Group's ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business but the interim financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

3. Basis of preparation of consolidated interim financial statements

Oxonica plc is a company domiciled in the UK. The consolidated interim financial statements as at, and for, the six months ended 30 June 2007 comprise the Company and its subsidiaries.

The interim financial statements comprise the consolidated balance sheets as at 30 June 2007 and 30 June 2006, consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes for the six months then ended of Oxonica plc (the "Company").

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The interim financial information is unaudited. The comparative figures for the financial year ended 31 December 2006 are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim financial information has been prepared on the basis of the recognition and measurement requirements of those adopted IFRS as at 31 December 2007 that are effective (or available for early adoption) at 31 December 2007, the Groups first annual reporting date at which it is required to use adopted IFRS. Based on these adopted IFRS, the directors have made assumptions about the accounting policies expected to be applied, when the first annual IFRS financial statements are prepared for the year ending 31 December 2007.

The interim report for the six months ended 30 June 2007 was approved by the Board on 27 September 2007.

Copies of this statement are being posted to shareholders and will also be available on the investor relations page of the Group's website (www.oxonica.com). Further copies are available from the Company Secretary at 7 Begbroke Science Park, Sandy Lane, Kidlington, Oxfordshire OX5 1PF.

4. Accounting policies

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually reviewed and are based on historical experience and other factors, and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Group's principal accounting policies, the significant judgements made by management in applying these policies and the key sources of uncertainty are as follows:

Revenue and revenue recognition

Revenue represents the total amount receivable by the Group for goods and services provided, excluding value added tax. Revenue from product sales is recognised when substantially all the risks and rewards have been transferred to the customer. Revenue from funded development contracts is recognised on a percentage of completion basis.

Research and development expenditure

Development expenditure on new products is capitalised only once the criteria specified under IAS 38, Intangible Assets have been met. Prior to and during the period ended on 30 June 2007, no development expenditure satisfied the necessary conditions of IAS 38.

Non-current assets

Intangible assets (excluding goodwill) and property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided at rates calculated to write down the cost of assets to their residual values over their estimated useful lives. The value of the assets is reviewed for impairment if events or circumstances indicate the carrying values may not be recoverable.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Goodwill is not amortised, but is regularly reviewed for impairment. Determining whether goodwill is impaired requires an estimation of the value in use, which is calculated by estimating the future cashflow expected to arise from the cash-generating unit and discounted by a suitable discount rate in order to calculate the present value. No provision for impairment was made in the period.

Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. In determining the allowance to be made for obsolete and slow moving items, the Group makes assumptions as to future inventory usage based on forecast sales.

Share based payments

The Company operates share option and share incentive plans which allow employees to acquire shares in the Company. The fair value of options and conditional share awards granted is recognised as an employee expense with a corresponding increase in equity. In determining the fair value of share based payments and the related charge to the income statement, the Company makes assumptions regarding future events and market conditions. The fair value is calculated using an option pricing model, which is dependent on future estimates including the time within which the options will be exercised and the future volatility of the Company's share price. These assumptions are based on publicly available information and reflect market expectations and the advice of qualified experts. Different assumptions regarding these factors could affect the reported value of share based payments. Sales and marketing and administration expenses includes a charge of £260,000 (2006: £114,000) in respect of share based payments to employees.

5. Summary segmental information

Primary

For management purposes the Group is currently organised into four different operating businesses.

	30 June 2007 <i>Unaudited</i> £'000	30 June 2006 <i>Unaudited</i> £'000	31 December 2006 <i>Unaudited</i> £'000
Revenue			
Energy	2,411	846	8,933
Diagnostics	94	2	329
Materials	264	108	175
Security	332	324	792
Group	-	-	-
Total	3,101	1,280	10,229
Profit/(loss) before tax			
Energy	536	(102)	3,419
Diagnostics	(723)	(452)	(913)
Materials	(1,658)	(1,379)	(3,029)
Security	(542)	(269)	(519)
Group	(692)	(632)	(1,484)
Total	(3,079)	(2,834)	(2,526)
Net Assets			
Energy	697	914	(818)
Diagnostics	204	454	199
Materials	(749)	(438)	(430)
Security	181	226	57
Group	15,562	15,446	19,642
Total	15,895	16,602	18,650

Secondary

The Group sales are managed into four regions.

	30 June 2007 <i>Unaudited</i> £'000	30 June 2006 <i>Unaudited</i> £'000	31 December 2006 <i>Unaudited</i> £'000
Revenue by geographical destination			
UK	968	560	1,628
Europe	1,255	306	11
USA	420	325	1,069
Rest of world	458	89	7,521
Total	3,101	1,280	10,229

Notes to the Interim Report continued

For the period ended 30 June 2007

	30 June 2007 <i>Unaudited</i> £'000	30 June 2006 <i>Unaudited</i> £'000	31 December 2006 <i>Unaudited</i> £'000
Revenue by geographical origin			
UK	2,681	955	9,160
Europe	–	–	–
USA	420	325	1,069
Rest of world	–	–	–
Total	3,101	1,280	10,229

6. Earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during each period. Options over 4,864,780 ordinary shares (2006:4,657,349) are not included in the calculation of diluted loss per share as their effect is anti-dilutive.

	30 June 2007 <i>Unaudited</i> £'000	30 June 2006 <i>Unaudited</i> £'000	31 December 2006 <i>Unaudited</i> £'000
Basic and diluted loss for the period attributable to ordinary shareholders	(3,080)	(2,843)	(2,412)
	No.	No.	No.
Weighted average number of ordinary shares	45,176,067	40,991,624	41,773,796
Loss per share – basic and diluted	(6.82)p	(6.94)p	(5.77)p

7. Reconciliation of movements in equity

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
At 1 January 2007	428	18,971	9,953	4,225	(14,927)	18,650
Shares issued/to be issued in connection with acquisition of Nanoplex	21	3,490	–	(4,225)	714	–
Exchange rate adjustments	–	–	–	–	–	–
Share options – value of employee service	4	61	–	–	260	325
Retained loss for the period	–	–	–	–	(3,080)	(3,080)
At 30 June 2007	453	22,522	9,953	–	(17,033)	15,895

The gain of £714,000 arising on the settlement of the deferred consideration for Nanoplex results from the fact that the fixed number of shares to be issued were actually issued at a lower share price than the price ruling at the date the acquisition was completed.

8. Principal Exchange Rates

	30 June 2007 <i>Unaudited</i>	30 June 2006 <i>Unaudited</i>	31 December 2006 <i>Unaudited</i>
Average for the period			
Euro	1.4810	1.4566	1.4664
United States Dollar	1.9800	1.7844	1.8579
Period end			
Euro	1.4705	1.4573	1.4831
United States Dollar	1.9767	1.8680	1.9591

9. Payment of Deferred Consideration

On 8 February 2007, following the achievement of revenue milestones and there being no claims under the vendor's representations and warranties, deferred consideration consisting of a further 2,090,005 new ordinary shares was issued to the previous shareholders of Nanoplex Technologies, Inc.

10. Safe Harbour

Our interim statement contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of the Company and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although the Company believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of the Company, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed. The Company has no intention or obligation to update forward-looking statements contained herein.

Company Information

Directors

R Farleigh (Non-Executive Chairman)
K R K Matthews (Chief Executive Officer)
R J G Clarke (Chief Financial Officer)
M J Hagen
G Ringold
E Weeks

Secretary

R J G Clarke

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Registrars

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Oxonica plc

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