Interim Report 2011

Oxford Pharmascience Group plc

DIRECTORS AND OFFICERS

DIRECTORS

David Norwood	*Non-Executive Chairman* (Appointed 12 April 2011)
Marcelo Leonardo Bravo	*Chief Technology Officer*
Nigel James Theobald	*Chief Executive Officer*
Michael Anthony Bretherton	*Finance Director*
James Nicholas Gerald White	*Non-Executive Director*

COMPANY SECRETARY
Christopher Hill

COMPANY WEBSITE
www.oxfordpharmascience.com

COMPANY NUMBER
7036758 (England & Wales)

REGISTERED OFFICE
Fifth Floor
17 Hanover Square
London, W1S 1HU

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

AUDITOR
RSM Tenon Audit Limited
The Poynt
45 Wollaton
Nottingham, NG1 5FW

LEGAL ADVISER
Fasken Martineau LLP
17 Hanover Square
London, W1S 1HU

NOMINATED ADVISER
ZAI Corporate Finance Limited
177 Regent Street
London, W1B 4JN

BROKER
Hybridan LLP.
29 Throgmorton Street
London, EC2N 2AT

Contents

Chairman's Statement

This is my first Chairman's statement since joining the Board on 12 April. I believe that this a very exciting time for the Company, and our change of name to Oxford Pharmascience during the period reflects our focus on an exciting new sector. There are several major factors reshaping the global pharmaceutical market and I believe Oxford Pharmascience is well placed to take advantage of these changes.

It is becoming increasingly difficult and expensive to bring new drugs to market. Regulatory hurdles are more demanding, the timescales are becoming longer and the total costs of clinical trials can be prohibitive even for the larger biotechnology companies. Add to this the high risk of failure for any new drug and one can understand why the industry is in some turmoil.

Another issue for the sector is that many of the blockbuster drugs are either off patent or the patents are close to expiry. Without patent protection, these drugs can be made or sold by rival pharma companies. These generic drugs are now an important part of the global pharmaceutical market, and have seriously impacted the profitability of Big Pharma.

Oxford Pharmascience has developed a portfolio of pharmaceutic technologies which allows us to effectively "re-develop" existing drugs. Specifically, the Company is using advanced drug delivery and pharmaceutic technologies to formulate products that are easier or more pleasant to take. This is particularly relevant for the geriatric or paediatric markets. We are also developing modified release formulations that have various clinical benefits.

We believe that our technology is attractive to many pharma companies who may want to enhance and improve their existing products. We recently signed our first partnership agreement with Aché Laboratórios Farmacêuticos S.A., ("Aché"), one of Brazil's largest pharmaceutical companies distributing over 250 brands of prescription and generic drugs and over-the-counter products.

We also envisage taking off-patent drugs and re-developing new improved drugs that are patent protected. As an example of this, the Company has recently established proof of concept for the taste masking of ibuprofen, which has removed the typical burning sensation on the throat. We have already seen considerable industry interest in our ibuprofen technology. We are now proceeding to develop "no burn" chewable and liquid ibuprofen and other Non-steroidal anti-inflammatory drugs (NSAID) products.

World leading science and intellectual property is at the core of our technology portfolio. The company works closely with leading academic institutions to strengthen its intellectual property. As part of this, the company has signed a worldwide exclusive licensing agreement with the University of

Oxford, to develop and commercialise products utilising a novel drug delivery technology which is the basis for our NSAIDs programme. As well as outstanding taste masking properties, this technology provides for enhanced drug stability to major drug categories such as NSAIDs, statins and certain antibiotics.

We have also recently signed an exclusive option to license and research an advanced colonic drug delivery technology from The School of Pharmacy, University of London, with a specific intention to develop and commercialise a novel application for a major drug category.

The challenge for the Company going forward will be twofold. First, we must continue to develop excellent science into innovative products that industry wants and requires. Second, we must commercialise these products with major pharma companies to secure a profitable route to market. I believe that we have the team and technology to achieve these objectives and look forward to the future with confidence.

David Norwood
Chairman
19 September 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months to 30 June 2011

	Notes	Six months to 30 June 2011 (Unaudited) £'000	Six months to 30 June 2010 (Unaudited) £'000	Year to 31 December 2010 (Audited) £'000
Revenues	3	20	81	123
Cost of sales		(16)	(46)	(88)
Gross Profit		4	35	35
Administrative expenses		(505)	(294)	(638)
Cost of AIM listing		–	(230)	(227)
Total administration costs		(505)	(524)	(865)
Operating loss		(501)	(489)	(830)
Finance income		–	1	–
Loss before tax		(501)	(488)	(830)
Taxation	4	–	–	18
Loss after tax attributable to equity holders of the parent		(501)	(488)	(812)
Loss per share				
Basic on loss for the period (pence)	5	(0.11)	(0.12)	(0.18)
Diluted on loss for the period (pence)	5	(0.11)	(0.12)	(0.18)

The loss for the year arises from the Group's continuing operations.

Condensed Consolidated Statement of Changes in Equity

For the six months to 30 June 2011

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Based Payments Reserve £'000	Revenue Deficit Reserve £'000	Total Equity £'000
At 31 December 2009	160	955	–	16	(336)	795
Loss for the period	–	–	–	–	(488)	(488)
Reallocation of reserves on reorganisation	241	(955)	714	–	–	–
Issue of shares	63	1,037	–	–	–	1,100
Share based payment	–	–	–	6	–	6
At 30 June 2010	464	1,037	714	22	(824)	1,413
Loss for the period	–	–	–	–	(324)	(324)
Share based payment	–	–	–	6	–	6
At 31 December 2010	464	1,037	714	28	(1,148)	1,095
Loss for the period	–	–	–	–	(501)	(501)
Share based payment	–	–	–	4	–	4
At 31 June 2011	464	1,037	714	32	(1,649)	598

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 (Unaudited) £'000	30 June 2010 (Unaudited) £'000	31 December 2010 (Audited) £'000
Assets				
Non-current assets				
Intangible assets		74	59	80
Property, plant and equipment		5	3	5
		79	62	85
Current assets				
Inventories		102	34	104
Trade and other receivables		49	129	72
Cash and cash equivalents		456	1,257	896
		607	1,420	1,072
Total Assets		686	1,482	1,157
Liabilities				
Current liabilities				
Trade and other payables		(77)	(69)	(62)
Current tax liabilities		(11)	–	–
		(88)	(69)	(62)
Net Assets		598	1,413	1,095
Equity				
Share capital	6	464	464	464
Share premium	6	1,037	1,037	1,037
Merger reserve	6	714	714	714
Share based payment reserve		32	22	28
Revenue deficit reserve		(1,649)	(824)	(1,148)
Total Equity		598	1,413	1,095

Approved by the Board and authorised for issue on 19 September 2011.

Nigel Theobald
Chief Executive Officer

Michael Bretherton
Finance Director

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Notes	Six months to 30 June 2011 (Unaudited) £'000	Six months to 30 June 2010 (Unaudited) £'000	Year to 31 December 2010 (Audited) £'000
Operating Activities				
Operating loss		(501)	(489)	(830)
Adjustment for non-cash items:				
Depreciation of property, plant and equipment		1	1	2
Amortisation of intangible assets		6	2	6
Share based payment		4	6	12
Taxation payable		11	–	–
Decrease/(increase) in inventories		2	5	(65)
Decrease/(increase) in trade and other receivables		23	40	97
Increase/(decrease) in trade and other payables		15	10	3
Operating cash outflow		(439)	(425)	(775)
Taxation refunded		–	–	18
Net cash outflow from operations		(439)	(425)	(757)
Investing Activities				
Interest received		–	1	–
Purchases of property, plant and equipment		(1)	(3)	(6)
Purchases of intellectual property		–	(54)	(79)
Net cash outflow from investing activities		(1)	(56)	(85)
Financing Activities				
Proceeds from issue of share capital	6	–	1,100	1,100
Net cash inflow from financing activities		–	1,100	1,100
(Decrease)/increase in cash and cash equivalents		(440)	619	258
Cash and cash equivalents at start of period		896	638	638
Cash and cash equivalents at end of period		456	1,257	896

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION

The interim financial statements of Oxford Pharmascience Group Plc are unaudited condensed consolidated financial statements for the six months to 30 June 2011. These include unaudited comparatives for the six months to 30 June 2010 together with audited comparatives for the year to 31 December 2010.

The Company was incorporated on 7 October 2009 as Oxford Nutrascience Group Plc and changed its name to Oxford Pharmascience Group Plc on 19 May 2011. The Company was specifically created to implement a re-organisation in relation to Oxford Pharmascience Limited (formerly Oxford Nutrascience Limited) which would permit admission of the Group to the AIM market. Under the re-organisation, Oxford Pharmascience Limited became a wholly owned subsidiary of Oxford Pharmascience Group Plc on 27 January 2011.

Shareholders in the company at the time of re-organisation received shares in Oxford Pharmascience Group Plc in the same proportionate interest as they had in Oxford Pharmascience Limited. The business, operations, assets and liabilities of the Oxford Pharmascience Group under the new holding company immediately after the re-organisation were no different from those immediately before the re-organisation and the Directors have therefore treated this combination as a simple re-organisation using the pooling of interests method of accounting.

The condensed consolidated financial statements do not constitute statutory accounts. The statutory accounts for the year to 31 January 2011 have been reported on by the auditors to Oxford Pharmascience Group Plc and have been filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of Oxford Pharmascience Limited for the year ended 31 December 2010.

3. SEGMENTAL REPORTING

Primary reporting format – business segments

At 30 June 2011, the Group operated in one business segment, that of the development and commercialisation of medicines via reformulation using advanced pharmaceutic technologies to add value to generic and soon to be generic drugs. All revenues have been generated from continuing operations and are from external customers.

Secondary reporting format – geographical segments

The Group operates in three main geographic areas, although all are managed in the UK. The Group's revenue per geographical segment is as follows:

	Six months to 30 June 2011 (Unaudited) £'000	Six months to 30 June 2010 (Unaudited) £'000	Year to 31 December 2010 (Audited) £'000
Revenues			
Product sales			
UK	11	12	47
Middle East	6	59	60
Other	3	10	14
	20	81	121
Grant income	–	–	1
Other	–	–	1
Total	20	81	123

All the Group's assets are held in the UK and all of its capital expenditure arises in the UK.

4. TAXATION

The Group has accumulated losses available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of tax losses since it is uncertain at the balance sheet date as to whether future profits will be available against which the unused tax losses can be utilised.

Notes to the Condensed Financial Statements

5. LOSS PER SHARE (BASIC AND DILUTED)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period. Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period to assume conversion of all dilutive potential ordinary shares.

	Six months to 30 June 2011 (Unaudited) £'000	Six months to 30 June 2010 (Unaudited) £'000	Year to 31 December 2010 (Audited) £'000
Loss attributable to the equity holders of the parent	(501)	(488)	(812)
	No.	**No.**	**No.**
Weighted average number of ordinary shares in issue during the period	464,023,798	401,164,650	456,750,839
Loss per share			
Basic on loss for the period	(0.11)p	(0.12)p	(0.18)p
Diluted on loss for the period	(0.11)p	(0.12)p	(0.18)p

The weighted average number of shares reflects the number of ordinary shares issued by Oxford Pharmascience Group Plc to acquire Oxford Pharmascience Limited up to the acquisition date and the total number of shares in issue for the period post the acquisition.

The Company has issued employee options over 7,500,000 ordinary shares which are potentially dilutive. There is however, no dilutive effect of these issued options as there is a loss for each of the periods concerned.

6. SHARE CAPITAL

	Number	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
Oxford Nutrascience Group plc					
Ordinary shares of 0.1p each					
Issued on incorporation on 7 October 2009	2,000	–	–	–	–
Issued on 8 February 2010 to acquire the entire issued share capital of Oxford Nutrascience Limited	401,164,650	401	–	714	1,115
Issued for cash on 12 February 2010	62,857,148	63	1,037	–	1,100
Total Ordinary shares of 0.1p each as at 30 June, 31 December 2010 and 30 June 2011	464,023,798	464	1,037	714	2,215

As permitted by the provisions of the Companies Act 2006, the Company does not have an upper limit to its authorised share capital.

The acquisition of Oxford Pharmascience Limited has been accounted for as a re-organisation using the pooling of interests method of accounting as set out in notes 1 and 2 to these financial statements and under which the shares issued by the Company are recorded at nominal value together with an amount established as Merger reserve in order to replicate the total issued capital of Oxford Pharmascience Limited as at the acquisition date.

Notes to the Condensed Financial Statements

7. RELATED PARTY TRANSACTIONS

During the period the Company entered into the following transactions with ORA Capital Limited (a wholly owned subsidiary of a significant corporate shareholder which as at 30 June 2011 held 34.9% of the Company's issued share capital).

	Six months to 30 June 2011 (Unaudited) £'000	Six months to 30 June 2010 (Unaudited) £'000	Year to 31 December 2010 (Audited) £'000
Management consultancy fees	3	3	4

During the six month period ended 30 June 2011, the Company entered into numerous transactions with its subsidiary company which net off on consolidation – these have not been shown.

In addition, during the period the Company paid remuneration to the Directors' in accordance with their service contracts and letters of appointment.

8. INTERIM FINANCIAL REPORT

A copy of this interim report will be distributed to shareholders and is also available on the Company's website at www.oxfordpharmascience.com sterling 151124

Oxford Pharmascience Group plc

Centre for Innovation & Enterprise
Oxford University Begbroke Science Park
Sandy Lane, Yarnton
Oxfordshire OX5 1FF

www.oxfordpharmascience.com