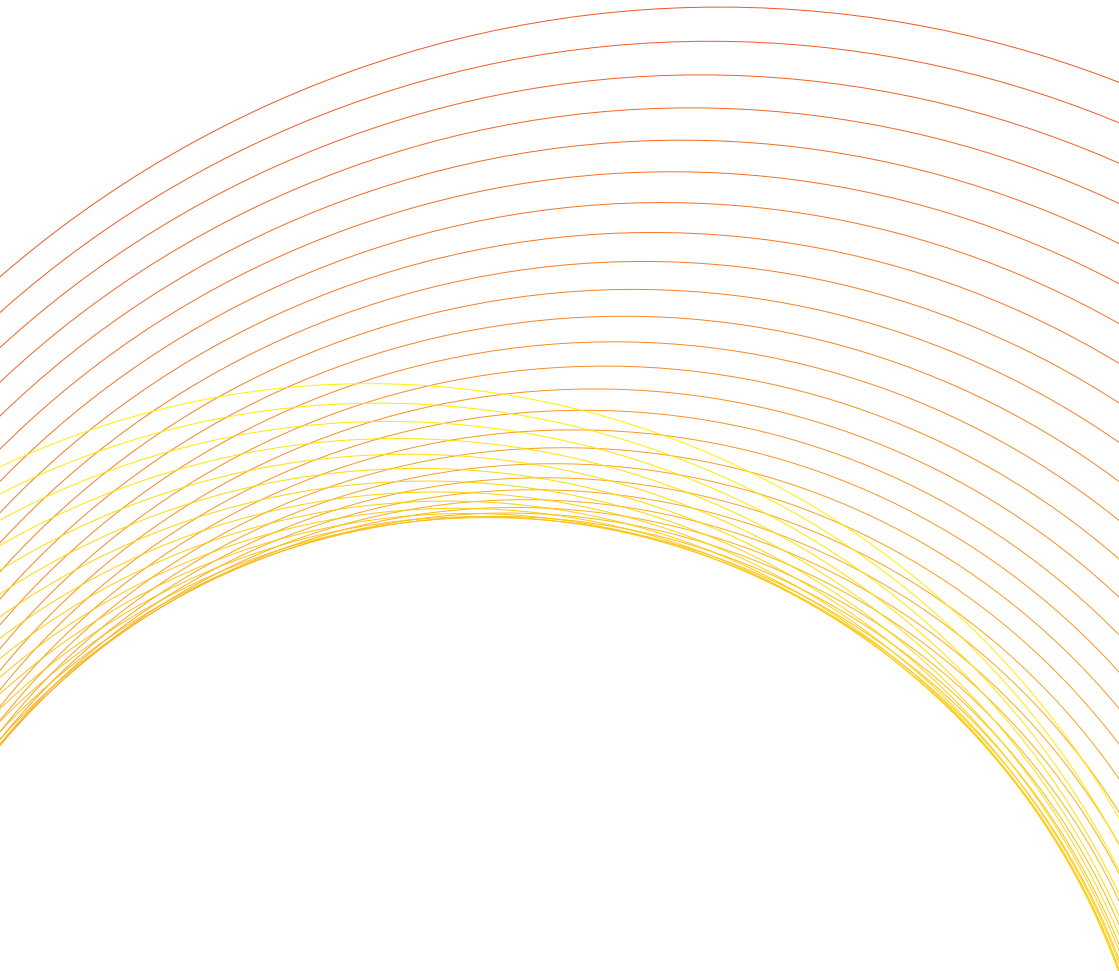


# Interim Report 2010

Oxford Nutrascience Group plc



## Directors and Officers

### DIRECTORS

Marcelo Leonardo Bravo	<i>Executive Chairman</i>
Nigel James Theobald	<i>Chief Executive Officer</i>
Michael Anthony Bretherton	<i>Finance Director</i>
James Nicholas Gerald White	<i>Non-Executive Director</i>

### COMPANY SECRETARY

Christopher Hill

### COMPANY WEBSITE

[www.oxfordnutrascience.com](http://www.oxfordnutrascience.com)

### COMPANY NUMBER

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W1S 1HU

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### AUDITOR

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### LEGAL ADVISER

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### NOMINATED ADVISER AND BROKER

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## Chairman's Statement

I am delighted to report on Oxford Nutrascience's performance for the six months to 30 June 2010 in this first Interim Financial Report since the successful admission to AIM as Oxford Nutrascience Group plc.

Oxford Nutrascience focuses on the development and commercialisation of medicine and supplement delivery and formulation technologies and strategically outsources supplementary areas of its business to a number of specialist companies including; R&D, new product development, packaging, manufacturing and product trials.

During the first half of 2010 and the period under review, we consolidated several key relationships with partner companies to support this operational model including Surepharm Services Ltd and R5 Pharmaceuticals for R&D, Lamy Lutti for product development of our soft chew supplements and also established close working relationships with high class nutraceutical ingredient companies.

### Successful IPO and listing of the Company

The IPO of Oxford Nutrascience earlier this year has allowed the Company to accelerate its strategy of making self medication easier and more pleasant by increasing its product range. The IPO has also allowed us to initiate and advance discussions with major brand owners in the OTC and prescription pharmaceutical sectors for the licensing of our intellectual property.

The Company raised £1.1 million, before expenses, via a placing of 62,857,148 ordinary shares of 0.1p each at a price of 1.75p per share.

The net proceeds of the Placing are being used to develop and grow the existing business including the launch of our own chews and provide funding for further development of the Company's technology.

### Financials

Group revenue during the 6 month period ended 30 June 2010 increased to £81k, compared to £29k for the six months to 30 June 2009, reflecting higher export sales of our Ellactiva® brand. The loss before tax and exceptional items was £258k. This loss increased to £488k after inclusion of the exceptional costs of the AIM listing. The loss before tax for the comparable six month period ended 30 June 2009 was £111k.

The loss reflects the expansion of the Company and includes an increase in business development costs for the commercialisation of our products, research and development and strengthening and securing the Company's intellectual property.

Cash balances at 30 June 2010 amounted to £1.257 million and continue to be managed prudently by keeping a minimal management structure.

### Operational review

Good progress was made in the first half of the year. Particular focus was targeted towards building the soft confectionery chew business, advancing development of the new chewable tablet and liquid suspension delivery technologies, and putting in place the foundations to ensure the successful delivery of the business model.

### Chews

During the first six months of the year the company focused on reinvigorating the Ellactiva® calcium chew business. A strategic marketing plan was produced to support the UK business including the presentation of the product to distributors outside the UK.

While marketing efforts in the UK are minimal, the brand trades satisfactorily in Boots which is an ideal showcase for potential international customers and the increasing profile of the product has helped support the brand in this key account.

During the period under review the Ellactiva® calcium chew was introduced into Saudi Arabia, Lebanon, UAE, and Poland. In addition a distribution agreement was signed with Rowlands Pharmacy in the UK.

As announced in May we also advanced the readiness of two new soft chew products, Ellactiva® Cranberry chews, a food supplement aimed at women addressing urinary tract infections, and Chewyz™, a healthy sweet aimed at children.

The development of these products are being finalised and will be presented to the trade during September 2010.

These products are based on our new proprietary soft chew technology and are manufactured in France by our manufacturing partner Lami Luty. We have two great new products and believe they bring something distinctive and necessary to the marketplace.

In addition to launching our own Ellactiva® Cranberry chew and Chewyz™ brand, we also plan to license our calcium supplement chew. The calcium chew will be available under license in specific territories to particular international healthcare companies.

## Chairman's Statement (continued)

### *Chewable tablets and liquid suspensions*

During the period the Company also focused on completing the development of the new chewable tablet (Chewitab™) and liquid suspension technologies for the delivery of medicines and supplements.

Oxford Nutrascience signed a development agreement with Surepharm Services Ltd to validate the mass manufacturing process of Chewitabs™ which has enabled us to fast track the development of a range of Chewitab™ prototypes for potential customers and licensee partners. This process has helped identify areas of particular interest for the Chewitab™ technology.

One of the attributes of the Chewitab™ technology is its ability to dissolve quickly in the mouth and mask the taste of chalky ingredients, such as mineral salts. This provides for superior tasting calcium and magnesium based supplements and antacid preparations.

The target market for Oxford Nutrasciences' Chewitabs™ and liquid suspension delivery systems are supplements, over-the-counter ("OTC") pain relieving drugs, indigestion preparations and cough and cold medicines. As part of the commercialisation strategy of the Chewitab™ technology, discussions are ongoing with several major global healthcare companies.

Significantly, during the current period, we signed a non-exclusive commercial agreement for our Chewitab™ technology with DCC Health & Beauty Solutions Ltd, the leading provider of outsourced services to the health and beauty markets. DCC Health & Beauty Solutions Ltd's customers include Merck, GSK, Healthspan and Vitabiotics.

DCC Health & Beauty Solutions is the first company to license Oxford Nutrascience's technology for the manufacture and sale of chewable tablets. DCC Health & Beauty Solutions will have the ability to use Chewitab for an unlimited range of applications, including the production of healthcare supplements.

Revenue will be generated from royalties on all Chewitab enabled products sold by DCC Health & Beauty Solutions in the UK and Ireland. The signing of this agreement validates the strength of our licensing business model and proves the attractiveness of our technology to large healthcare companies.

Our work on the liquid suspension technology has concentrated on the development of a liquid suspension system for the delivery of ibuprofen. We have successfully demonstrated that the technology can deliver a superior tasting product that can be manufactured via a simpler process utilizing significantly less ingredients than existing products currently available.

### Patents

The company continued to strengthen its technology base and filed two international patent applications covering its chewable tablet delivery system as well its liquid suspension system.

Both applications claimed priority from the delivery system patent application which Oxford Nutrascience filed in April 2009 and they are expected to be published in October 2010. Separately, examination of our patent application for soft confectionery delivery systems has progressed well and we expect the patent will be granted, initially in the UK, during the second half of the current financial year.

### Outlook

We continue to work on the development of new products and bringing new applications for our technology forward. The Board is confident that the progress made during the first half of 2010 will continue, leading to commercial agreements for our new soft chew supplements and Chewitab tablet technologies.

**Marcelo Bravo**

**Chairman**

16 September 2010

## Condensed Consolidated Statement of Comprehensive Income

For the six months to 30 June 2010

	Notes	Six months to 30 June 2010 (Unaudited) £'000	Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
Revenues	3	81	29	54
Cost of sales		(46)	(19)	(32)
<b>Gross Profit</b>		35	10	22
Administrative expenses		(294)	(129)	(262)
Cost of AIM listing		(230)	-	-
<b>Total administration costs</b>		(524)	(129)	(262)
<b>Operating loss</b>		(489)	(119)	(240)
Finance income		1	8	11
<b>Loss before tax</b>		(488)	(111)	(229)
Taxation	4	-	-	-
<b>Loss after tax attributable to equity holders of the parent</b>		(488)	(111)	(229)
<b>Loss per share</b>				
Basic on loss for the period (pence)	5	(0.12)	(0.03)	(0.06)
Diluted on loss for the period (pence)	5	(0.12)	(0.03)	(0.06)

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 2010

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Based Payments Reserve £'000	Revenue Deficit Reserve £'000	Total Equity £'000
<b>At 31 December 2008</b>	130	985	-	-	(107)	1,008
Loss for the period	-	-	-	-	(111)	(111)
<b>At 30 June 2009</b>	130	985	-	-	(218)	897
Loss for the period	-	-	-	-	(118)	(118)
Conversion of shares	30	(30)	-	-	-	-
Share based payment	-	-	-	16	-	16
<b>At 31 December 2009</b>	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
<b>At 30 June 2010</b>	464	1,037	714	22	(824)	1,413

## Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	30 June 2010 (Unaudited) £'000	30 June 2009 (Unaudited) £'000	31 December 2009 (Audited) £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		59	1	7
Property, plant and equipment		3	–	1
		62	1	8
<b>Current assets</b>				
Inventories		34	20	39
Trade and other receivables		129	171	169
Cash and cash equivalents		1,257	721	638
		1,420	912	846
<b>Total Assets</b>		1,482	913	854
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(69)	(16)	(59)
		(69)	(16)	(59)
<b>Net Assets</b>		1,413	897	795
<b>Equity</b>				
Share capital	6	464	130	160
Share premium	6	1,037	985	955
Merger reserve	6	714	–	–
Share based payment reserve		22	–	16
Revenue deficit reserve		(824)	(218)	(336)
<b>Total Equity</b>		1,413	897	795

Approved by the Board and authorised for issue on 16 September 2010.

Marcelo Bravo  
Executive Chairman

Michael Bretherton  
Finance Director

# Condensed Consolidated Cash Flow Statement

For the six months to 30 June 2010

	Notes	Six months to 30 June 2010 (Unaudited) £'000	Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
<b>Operating Activities</b>				
<b>Loss before interest and tax</b>		(489)	(119)	(240)
<b>Adjustment for non-cash items:</b>				
Depreciation of property, plant and equipment		1	–	–
Amortisation of intangible assets		2	–	1
Share based payment		6	–	16
Decrease/(increase) in inventories		5	(1)	(20)
Decrease/(increase) in trade and other receivables		40	(131)	(129)
Increase/(decrease) in trade and other payables		10	(25)	18
<b>Net cash outflow from operations</b>		(425)	(276)	(354)
<b>Investing Activities</b>				
Interest received		1	8	11
Purchases of property, plant and equipment		(3)	–	(1)
Purchases of intellectual property		(54)	–	(7)
<b>Net cash (outflow)/inflow from investing activities</b>		(56)	8	3
<b>Financing Activities</b>				
Proceeds from issue of share capital	6	1,100	–	–
<b>Net cash inflow from financing activities</b>		1,100	–	–
<b>Increase/(Decrease) in cash and cash equivalents</b>		619	(268)	(351)
Cash and cash equivalents at start of period		638	989	989
<b>Cash and cash equivalents at end of period</b>		1,257	721	638

# Notes to the Condensed Financial Statements

## 1. BASIS OF PREPARATION

The interim financial statements of Oxford Nutrascience Group plc are unaudited condensed consolidated financial statements for the six months to 30 June 2010. These include unaudited comparatives for the six months to 30 June 2009 together with audited comparatives for the year to 31 December 2009.

Oxford Nutrascience Group plc was incorporated on 7 October 2009. The Company was specifically created to implement a re-organisation in relation to Oxford Nutrascience Limited which would permit admission of the Group to the AIM market. Under the re-organisation, Oxford Nutrascience Limited became a wholly owned subsidiary of Oxford Nutrascience Group plc on 27 January 2010.

Shareholders in the company at the time of re-organisation received shares in Oxford Nutrascience Group plc in the same proportionate interest as they had in Oxford Nutrascience Limited. The business, operations, assets and liabilities of the Oxford Nutrascience 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 2009 have been reported on by the auditors to Oxford Nutrascience Limited 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 Nutrascience Limited for the year ended 31 December 2009 with the exception of the following additional policy which is relevant to the current period:

### Basis of consolidation and re-organisation

The Company was incorporated on 7 October 2009. On 27 January 2010 the Company became a 100 per cent. holding company of Oxford Nutrascience Limited and was subsequently admitted to AIM on 12 February 2010.

The above combination has been accounted for as a re-organisation using the pooling of interests method of accounting under which the Group's activity has been treated as a continuation of that of the legal subsidiary, Oxford Nutrascience Limited. Comparative numbers presented in the Group financial statements are those reported in the financial statements issued in the name of the legal subsidiary, Oxford Nutrascience Limited, for the six months to 30 June 2009 (unaudited) and for the year to 31 December 2009 (audited).

### 3. SEGMENTAL REPORTING

#### Primary reporting format – business segments

At 30 June 2010, the Group operated in one business segment, that of the development and commercialisation of unique delivery systems for vitamins and medicines. 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 2010 (Unaudited) £'000	Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
<b>Revenues</b>			
<b>Product sales</b>			
UK	12	16	35
Middle East	59	10	9
Other	10	3	–
	81	29	44
<b>Grant income</b>	–	–	10
<b>Total</b>	81	29	54

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 utilized.

## 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 2010 (Unaudited) £'000	Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
<b>Loss attributable to the equity holders of the parent</b>	(488)	(111)	(229)
	No.	No.	No.
<b>Weighted average number of ordinary shares in issue during the period</b>	449,274,724	401,164,650	401,164,650
<b>Loss per share</b>			
Basic on loss for the period	(0.12)p	(0.03)p	(0.06)p
Diluted on loss for the period	(0.12)p	(0.03)p	(0.06)p

The weighted average number of shares for the for the six months ended 30 June 2009 and the year ended 31 December 2009 is based on the number of shares issued by Oxford Nutrascience Group plc to acquire Oxford Nutrascience Limited under the reorganisation as set out in notes 1, 2 and 6 to these financial statements. The weighted average number of shares for the six months ended 30 June 2010 reflects the number of ordinary shares issued by Oxford Nutrascience Group plc to acquire Oxford Nutrascience 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
<b>Allotted, issued and fully paid shares</b>					
<b>Oxford Nutrascience Limited</b>					
Ordinary shares of 1p each	13,046,666	130	985	–	1,115
Ordinary A shares of 0.1p each	3,000,000	–	–	–	–
<b>Total as at 31 December 2008 and 30 June 2009</b>	16,046,666	130	985	–	1,115
Share conversion of all A shares in to Ordinary shares of 1p each	–	30	(30)	–	–
<b>Total Ordinary shares of 1p each as at 31 December 2009</b>	16,046,666	160	955	–	1,115
<b>Oxford Nutrascience Group plc</b>					
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
<b>Total Ordinary shares of 0.1p each as at 30 June 2010</b>	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 Nutrascience 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 Nutrascience 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 2010 held 34.9% of the Company's issued share capital).

	Six months to 30 June 2010 (Unaudited) £'000	Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
Management consultancy fees	3	–	–

During the six month period ended 30 June 2010, 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

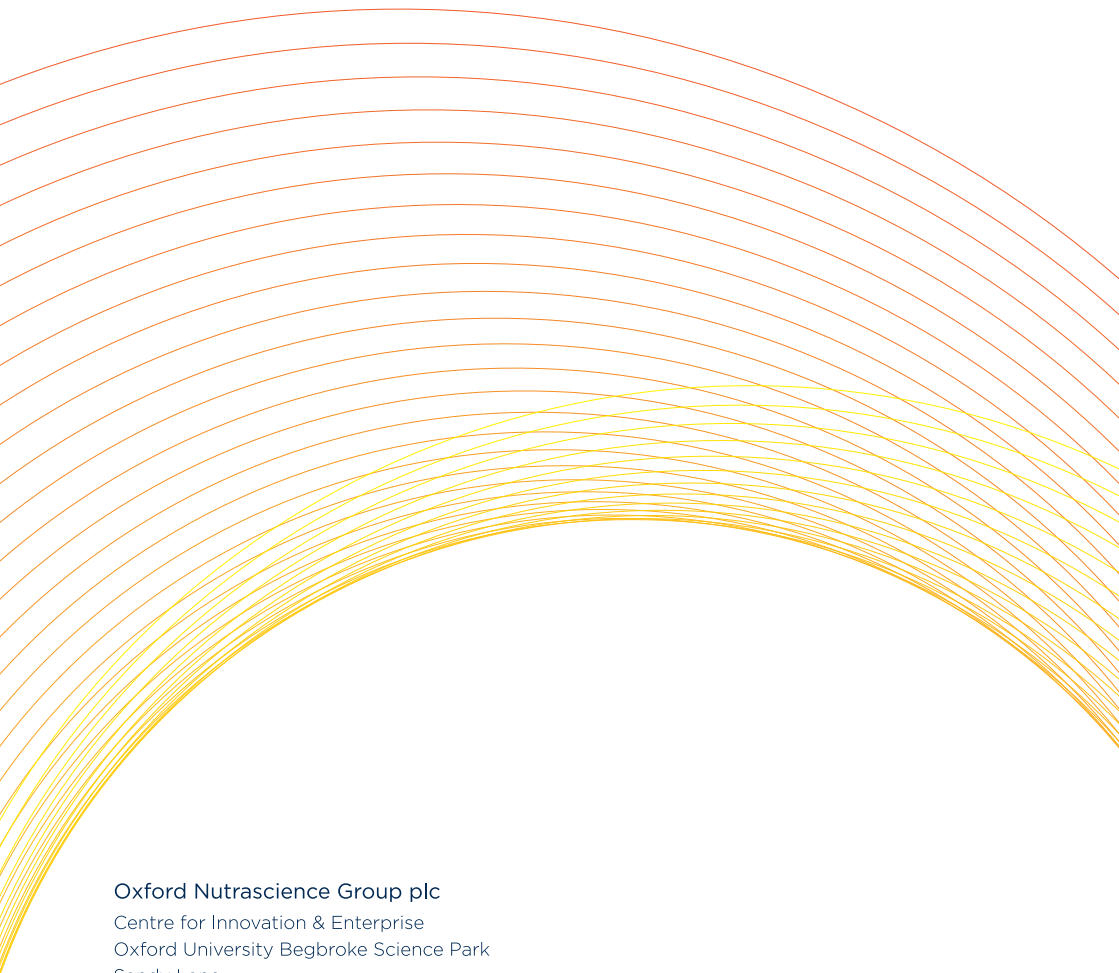
A copy of this interim report will be distributed to shareholders and is also available on the Company's website at [www.oxfordnutrascience.com](http://www.oxfordnutrascience.com)











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