



Medicines Made Better



INTERIM REPORT 2015

OXFORD PHARMSCIENCE GROUP PLC

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

David Norwood	Non-Executive Chairman
Marcelo Bravo	Chief Executive Officer
Chris Hill	Chief Financial Officer
James White	Non-Executive Director
John Goddard	Non-Executive Director
Karl Van Horn	Non-Executive Director

COMPANY SECRETARY

Christopher Hill

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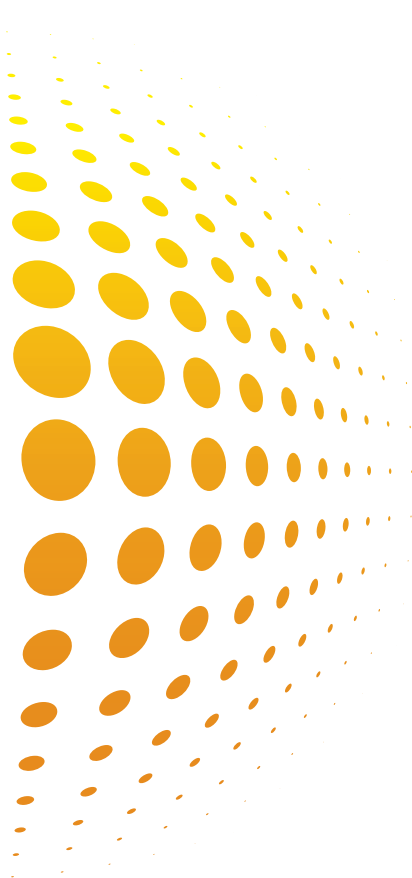
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Chairman's and Chief Executive Officer's Joint Review

For the six months ended 30 June 2015

HIGHLIGHTS

- Progression to clinic with two OXPzero™ NSAIDs for assessment of both pharmacokinetics and reduction in gastric irritation via endoscopy:
 - OXP005 (250mg OXPzero™ Naproxen tablet)
 - OXP001(2) (400mg Chewable OXPzero™ Ibuprofen tablet)
- OXPzero™ Naproxen/OXP005:
 - Encouraging proof of concept trial results announced July 2015 demonstrating:
 - major statistically significant reduction in gastric erosions
 - comparable PK profile to the reference Naprosyn
 - Programme initiated to further improve OXP005 to also meet reduction in Lanza score endpoint.
- OXPzero™ Ibuprofen/OXP001(2):
 - Taste masking benefit demonstrated in clinical setting
 - Successfully met optimisation objectives for immediate release and complete drug absorption (announced in August 2015)
 - Proof-of-concept trial ongoing with headline results on the endoscopy phase expected to be released in Q4 2015, including further PK data.
- £20 million gross proceeds raised from a placing of new ordinary shares completed in June 2015, to enable the Company to pursue a wider range of opportunities across its portfolio and provide both flexibility and balance sheet strength as the Company progress into the commercialisation phase.
- Total cash, cash equivalents and deposits of £24.1m at 30 June 2015 (2014: £8.2m).

OVERVIEW

The Company has made significant progress in 2015, with a clear focus on its NSAID programme. Having progressed from the lab to the clinic with two of the most important molecules in the multi-billion dollar NSAIDs category, namely ibuprofen and naproxen, we enter the second half of 2015 in a strong position, with the technology moving ahead, a more robust clinical data set in place, and a strong balance sheet.

We are very pleased that the data available to date demonstrates that the technology is providing a class effect, significantly reducing gastric erosions not only with ibuprofen but also with the much more gastrointestinally aggressive naproxen molecule. In early January, the Company announced that it had completed successful development of clinical formulations of both OXPzero™ Ibuprofen (OXP001(2)) and OXPzero™ Naproxen (OXP005) that demonstrated immediate and complete drug release in vitro. Both formulations proceeded to proof-of-concept trials in the subsequent months with the objective of demonstrating reduced gastric irritation as well as immediate and complete drug absorption. The two studies conducted have both shown a major, statistically significant reduction in median erosions (60% for ibuprofen in last year's study with an early un-optimised formulation and 38% for naproxen in the OXP005 study recently reported). Importantly, this year's studies have also shown that the formulations are achieving immediate release and complete drug absorption in vivo. Market research previously commissioned by the Company amongst clinicians and payors indicates a highly robust business case for the OXPzero™ technology which could deliver significant returns for shareholders.

The results to date for OXP005 are encouraging with results showing a comparable PK profile to the reference Naprosyn. Building upon this, the Company has initiated a programme to further improve OXP005 to also meet the reduction in Lanza score endpoint.

The Company is confident that additional endoscopy data from the further pilot clinical study with OXP001(2) (now in the clinic) will provide for a robust data package with which it will be able to progress to partnering discussions later in 2015. Confirmation of reduction in gastrointestinal

David Norwood,
Chairman

Marcelo Bravo,
Chief Executive Officer





erosions for OXP001(2) within the range already established in our first two pilot trials will validate OXPzero™ Ibuprofen as a disruptive compound in the \$4bn ibuprofen market.

Solid foundation for further progress

In readiness to move these assets forward to the commercial stage, the Company has advanced the manufacturing process and formulation development whilst strengthening its intellectual property.

Having successfully raised £20m gross proceeds in June 2015, the Company is in a very strong position and whilst building robust data packages for OXP001(2) and OXP005 it is also now able to diversify its pipeline. The Company believes there is significant opportunity in cardiovascular disease (CVD) applications of the OXPzero™ platform and is now in early formulation stage of an OXPzero™ Aspirin product aimed at long-term anti-platelet treatment for CVD. Additionally, the Company is exploring the potential of further applications of both the OXPzero™ and OXPtarget™ platform technologies with a view to selecting one to three candidates to add into the pipeline. This review will not only include applications already in development such as OXPzero™ Diclofenac and Safestat™, but also a number of further targets that have been identified in the past few months.

FINANCIAL RESULTS

Revenue for the six months to 30 June 2015 was £342k (2014: £336k), the majority derived from our partnership with Ache Laboratorios in Brazil. Revenue performance for the half year is consistent with delivery of market expectations for the full year.

The loss before tax was £2.2m (2014: loss of £1.7m) reflecting the higher level of clinical activity compared to the prior period. As described above, the Company has run two proof-of-concept clinical studies in the period, compared to one in the comparative period, resulting in Research and Development spending increasing to £1.5m from £1.0m in the first half of 2014.

Cash, cash equivalents and money held on deposits at the half year-end was £24.1m (2014: £8.2m). At the period end, a total of £15.0m (2014: £nil) has been placed on deposit across different banks, all with strong credit ratings. The maturity profiles of these deposits range from nine to 12 months.

The Company raised gross proceeds of £20.0m from a placing of new ordinary shares at a price of 10 pence per share in June 2015 to certain existing and new institutional shareholders. Issue costs associated with the placing were £0.56m. The additional funds enable the Company to proceed along its clinical pathway with confidence and also allows the expansion of the pipeline. Cash management and tight cost control continue to be a priority for the business and the additional funds raised will not change this mentality.

OUTLOOK

The Company has initiated contact with major pharmaceutical companies in the NSAID space. With additional endoscopy data from its further pilot clinical study for OXP001(2) expected by Q4 2015, the plan remains to progress to partnering discussions with the aim of maximising value for the Company and its shareholders.

In addition, the Company will be allocating resources to investigate and pursue a wider range of opportunities leading with the development of OXPzero™ Aspirin and also the evaluation of further applications of its technologies.

Building upon the progress made this year, the Company is in a strong position to proceed along its clinical pathway and to diversify its pipeline. We look forward to announcing further updates on the Company's programmes and pipeline over the coming year.

David Norwood, Chairman
21 September 2015

Marcelo Bravo, Chief Executive Officer
21 September 2015



Condensed Consolidated Statement of Comprehensive Income

For the six months to 30 June 2015

	Notes	Six months to 30 June 2015 (Unaudited) £'000	Six months to 30 June 2014 (Unaudited) £'000	Year to 31 December 2014 (Audited) £'000
Revenues	3	342	336	705
Cost of sales		(256)	(219)	(482)
Gross Profit		86	117	223
Administrative expenses		(2,254)	(1,846)	(3,719)
Operating loss		(2,168)	(1,729)	(3,496)
Finance income		9	–	32
Loss before tax		(2,159)	(1,729)	(3,464)
Taxation	4	–	–	600
Loss after tax attributable to equity holders of the parent		(2,159)	(1,729)	(2,864)
Loss per share				
Basic on loss for the period (pence)	5	(0.21)	(0.17)	(0.29)
Diluted on loss for the period (pence)	5	(0.21)	(0.17)	(0.29)

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 2015

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Based Payments Reserve £'000	Revenue Reserve £'000	Total Equity £'000
At 30 June 2013	898	8,561	714	69	(3,442)	6,800
Loss for the period	–	–	–	–	(902)	(902)
Issue of shares	100	3,900	–	–	–	4,000
Expenses of share issue	–	(40)	–	–	–	(40)
Share based payment	–	–	–	42	–	42
At 31 December 2013	998	12,421	714	111	(4,344)	9,900
Loss for the period	–	–	–	–	(1,729)	(1,729)
Exercise of share options	8	149	–	–	–	157
Share based payment	–	–	–	50	–	50
At 30 June 2014	1,006	12,570	714	161	(6,073)	8,378
Loss for the period	–	–	–	–	(1,135)	(1,135)
Share based payment	–	–	–	77	–	77
At 31 December 2014	1,006	12,570	714	238	(7,208)	7,320
Loss for the period	–	–	–	–	(2,159)	(2,159)
Issue of shares	43	4,249	–	–	–	4,292
Issue of shares	157	15,551	–	–	–	15,708
Expenses of share issue	–	(561)	–	–	–	(561)
Share based payment	–	–	–	68	–	68
At 30 June 2015	1,206	31,809	714	306	(9,367)	24,668



Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) £'000	30 June 2014 (Unaudited) £'000	31 December 2014 (Audited) £'000
Assets				
Non-current assets				
Intangible assets		38	47	43
Property, plant and equipment		4	6	5
		42	53	48
Current assets				
Inventories		8	37	20
Trade and other receivables		854	384	838
Short term investments and cash on deposit		15,000	–	–
Cash and cash equivalents		9,116	8,215	6,706
		24,978	8,636	7,564
Total Assets		25,020	8,689	7,612
Liabilities				
Current liabilities				
Trade and other payables		(352)	(311)	(292)
Net Assets		24,668	8,378	7,320
Equity				
Share capital	6	1,206	1,006	1,006
Share premium	6	31,809	12,570	12,570
Merger reserve	6	714	714	714
Share based payment reserve		306	161	238
Revenue reserve		(9,367)	(6,073)	(7,208)
Total Equity		24,668	8,378	7,320

Approved by the Board and authorised for issue on 21 September 2015.

Marcelo Bravo
Chief Executive Officer

Chris Hill
Chief Financial Officer

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months to 30 June 2015 (Unaudited) £'000	Six months to 30 June 2014 (Unaudited) £'000	Year to 31 December 2014 (Audited) £'000
Operating Activities			
Loss before tax	(2,159)	(1,729)	(3,464)
Adjustment for non- cash items:			
Amortisation of intangible assets	5	3	8
Depreciation of property, plant and equipment	1	–	2
Finance income	(9)	–	(32)
Share based payment	68	50	127
Decrease/(increase) in inventories	12	(16)	1
Increase in trade and other receivables	(16)	(132)	(191)
Increase/(decrease) in trade and other payables	60	(59)	(78)
Taxes received	–	–	205
Operating cash outflow	(2,038)	(1,883)	(3,422)
Net cash outflow from operations	(2,038)	(1,883)	(3,422)
Investing Activities			
Finance income	9	–	32
Purchases of property, plant and equipment	–	–	(2)
Monies placed on deposit	(15,000)	–	–
Net cash (outflow)/inflow from investing activities	(14,991)	–	30
Financing Activities			
Proceeds from share option exercise	–	157	157
Proceeds from issue of share capital	20,000	–	–
Expense of issue of share capital	(561)	–	–
Net cash inflow from financing activities	19,439	157	157
Increase/(decrease) in cash and cash equivalents	2,410	(1,726)	(3,235)
Cash and cash equivalents at start of period	6,706	9,941	9,941
Cash and cash equivalents at end of period	9,116	8,215	6,706
Monies placed on deposit	15,000	–	–
Cash, cash equivalents and deposits at the end of the period	24,116	8,215	6,706



Notes to the Condensed Financial Statements

For the six months ended 30 June 2015

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 2015. These include unaudited comparatives for the six months to 30 June 2014 together with audited comparatives for the year to 31 December 2014.

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 2010.

Shareholders in the company at the time of the 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 December 2014 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 Group Plc for the year ended 31 December 2014.

3. SEGMENTAL REPORTING

Primary reporting format – business segments

At 30 June 2015, the Group operated in one business segment, that of the development and commercialisation of medicines via reformulation using advanced pharmaceutical 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.

Notes to the Condensed Financial Statements

CONTINUED

3. SEGMENTAL REPORTING (CONTINUED)

Secondary reporting format – geographical segments

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

Revenues	Six months to 30 June 2015 (Unaudited) £'000	Six months to 30 June 2014 (Unaudited) £'000	Year to 31 December 2014 (Audited) £'000
Product sales			
UK	–	9	13
Middle East	–	–	51
Brazil	317	302	641
Far East	25	25	–
Total product sales	342	336	705
Segment operating loss	(2,189)	(1,729)	(3,496)
Segment net assets	24,668	8,378	7,320

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

CONTINUED

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 2015 (Unaudited) £'000	Six months to 30 June 2014 (Unaudited) £'000	Year to 31 December 2014 (Audited) £'000
Loss attributable to the equity holders of the parent	(2,159)	(1,729)	(2,864)
	No.	No.	No.
Weighted average number of ordinary shares in issue during the period	1,007,970,975	999,183,879	1,003,295,548
Loss per share			
Basic on loss for the period	(0.21)p	(0.17)p	(0.29)p
Diluted on loss for the period	(0.21)p	(0.17)p	(0.29)p

The Company has issued employee options over 89,200,000 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.

Notes to the Condensed Financial Statements

CONTINUED

6. SHARE CAPITAL

Oxford Pharmascience Group Plc	Number	Share capital £'000	Share premium £'000	Merger reserve £'000	Total £'000
Total Ordinary shares of 0.1p each as at 30 June 2013	897,536,619	898	8,561	714	10,173
Issued for cash 5 November 2013	100,000,000	100	3,900	–	4,000
Expense of issue	–	–	(40)	–	(40)
Total Ordinary shares of 0.1p each as at 31 December 2013	997,536,619	998	12,421	714	14,133
Exercise of share options 17 April 2014	8,125,000	8	149	–	157
Total Ordinary shares of 0.1p each as at 30 June 2014	1,005,661,619	1,006	12,570	714	14,290
Total Ordinary shares of 0.1p each as at 31 December 2014	1,005,661,619	1,006	12,570	714	14,290
Issued for cash 25 June 2015	42,915,000	43	4,249	–	4,292
Issued for cash 26 June 2015	157,085,000	157	15,551	–	15,708
Expense of issue	–	–	(561)	–	(561)
Total Ordinary shares of 0.1p each as at 30 June 2015	1,205,661,619	1,206	31,809	714	33,729

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 in 2010 has been accounted for as a re-organisation using the pooling of interests method of accounting as set out in note 1 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.

7. RELATED PARTY TRANSACTIONS

There are no sales or purchases to/from related parties.

During the six month period ended 30 June 2015, 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 available on the Company's website at www.oxfordpharmascience.com

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