Oxford pharmascience

MEDICINES
MADE
BETTER

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

OXFORD PHARMASCIENCE GROUP PLC

Directors, Officers and Advisers

DIRECTORS

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

COMPANY SECRETARY
Christopher Hill

COMPANY WEBSITE
www.oxfordpharmascience.com

COMPANY NUMBER
7036758 (England & Wales)

REGISTERED OFFICE
2 Royal College Street
London
NW1 0NH

REGISTRAR
Neville Registrars
Neville House
18 Laurel Lane
Halesowen
B63 3DA

AUDITOR
Grant Thornton UK LLP
Chartered Accountants & Statutory Auditors
2 Broadfield Court
Sheffield
S8 0XF

LEGAL ADVISER
Fladgate LLP
Ninth Floor
16 Great Queen Street
London
WC2B 5DG

NOMINATED ADVISER AND BROKER
N+1 Singer
One Bartholomew Lane
London
EC2N 2AX

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Chairman and Chief Executive Officer's Joint Review

For the six months ended 30 June 2017

During the past six months the Group has been primarily focused on commercialisation efforts alongside various activities aimed to elucidate the best way forward for its various product opportunities. This has included seeking feedback from medicines regulators as well as conducting market research amongst clinicians in the prescription (Rx) market as well amongst consumers in the over-the-counter (OTC) market.

The Company's OXPzero™ platform technology provides several, clinical-stage candidates available for licensing which solve key unmet needs across multiple pain markets both in Rx and OTC. Our OXPzero™ products are clinically proven to have fewer GI side effects compared to standard form non-steroidal anti-inflammatory drugs (NSAIDs), potentially enhancing safety and simplifying therapy. OXPzero™ Ibuprofen is demonstrably faster with fewer/reduced GI side effects than standard ibuprofen tablets, providing faster onset and potentially faster pain relief. In the past few months, however, the Company has received feedback from regulatory agencies that has confirmed that the regulatory path to product approval is complex and this has derailed the Company's efforts to partner its assets, particularly in the US market where attention had been focused.

Specifically, as reported in March 2017, the US FDA indicated to the Company that in order to support an improved gastro-intestinal (GI) safety claim, a clinical outcomes study would be required, including measures such as assessment of the incidence of peptic ulcer bleeding and related complications. Given that such an outcomes based study would be lengthy and require a very large sample size, the economic feasibility of obtaining regulatory clearance in the US on the basis of such a claim was compromised. The Company has since switched its commercial efforts to explore markets outside the US. In the past months the Company also completed clinical work demonstrating improved drug release properties and conducted additional research amongst clinicians in the US and the UK, confirming that the properties of OXPzero™ NSAIDs could drive an important switch of prescriptions to our products even without leveraging the GI safety claim. Using this data, the Company re-started its commercial out-reach in June 2017 as well as initiating exploration of the utility of the technology in Animal Health. These efforts are ongoing and the Company is at initial stage of contact with a number of new prospective partners across the world.

For the OTC market, the Company initiated market research to validate the most commercially attractive product opportunities and started work on a non-disclosed lead programme, as announced in May 2017. The Company's objective was to get the chosen product or products fully developed and approved for sale in at least one major geography and then to seek to commercialise via out-license, product launch or both. The rationale behind this approach was that based on regulatory feedback received to date, for taste masked OTC products not leveraging the GI safety claim, the regulatory pathway would be straightforward requiring only demonstration of bioequivalence. However, the Company has recently received provisional feedback from the UK medicines regulator, the MHRA, highlighting that the OTC programme may also turn out to be more complex than previously envisaged and that there are risks to the viability of gaining OTC/GSL* regulatory

* In the UK OTC products can be available off the shelf under General Sales List (GSL) while Pharmacy Medicines (P) need to be sold from a registered pharmacy.

approval. Details of the MHRA feedback will be announced when a formal written response is received from the MHRA. The Company is now seeking further feedback from other regulatory agencies, specifically an agency in Europe and the US FDA, and will have a better picture of the regulatory position for these OTC markets in due course. Although product development has progressed well and consumer research looks very positive, given these issues the Company has decided that it will suspend its lead programme until the regulatory situation is clarified.

Overall, while the Company has built a strong body of clinical data and market research supporting the commercial potential of its assets, regulatory requirements have complicated the way forward commercially both in Rx and OTC opportunities. The Company believes its assets will ultimately create value but clearly this will take further time and investment. At present the Company has suspended development activities while the Board concludes a strategic review to assess how to best realise the value of the Company's assets at their current stage of development. Details of the Board's findings will be communicated to shareholders in the coming weeks.

Financial Results

Revenue from the calcium chew business for the six months to 30 June 2017 was £425k (2016: £370k). Revenue performance for the half year is consistent with delivery of market expectations for the full year. The loss before tax was £1.4m (2016: loss of £1.0m) reflecting the higher level of clinical and regulatory activity in the period.

Cash, cash equivalents and money held on deposits at 30 June 2017 was £21.0m versus £22.1m at 30 June 2016, with a total of £10.0m (2016: £10.0m) placed on deposit. The maturity profiles of these deposits range from six to 12 months from the date of inception. Cash management and tight cost control continue to be a priority for the business.

David Norwood
Chairman

Marcelo Bravo
Chief Executive Officer

22 September 2017

Condensed Consolidated Statement of Comprehensive Income

For the six months to 30 June 2017

	Notes	Six months to 30 June 2017 (Unaudited) £'000	Six months to 30 June 2016 (Unaudited) £'000	Year to 31 December 2015 (Audited) £'000
Revenues	3	425	370	796
Cost of sales		(311)	(276)	(596)
Gross Profit		114	94	200
Administrative expenses		(1,524)	(1,117)	(2,230)
Operating loss		(1,410)	(1,023)	(2,030)
Finance income		58	64	132
Loss before tax		(1,352)	(959)	(1,898)
Taxation	4	–	74	514
Loss after tax attributable to equity holders of the parent		(1,352)	(885)	(1,384)
Loss per share				
Basic on loss for the period (pence)	5	(0.11)	(0.07)	(0.11)
Diluted on loss for the period (pence)	5	(0.11)	(0.07)	(0.11)

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 2017

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Based Payments Reserve £'000	Revenue Reserve £'000	Total Equity £'000
At 30 June 2015	1,206	31,809	714	306	(9,367)	24,668
Comprehensive Income	–	–	–	–	(955)	(955)
Share based payment	–	–	–	72	–	72
At 31 December 2015	1,206	31,809	714	378	(10,322)	23,785
Comprehensive Income	–	–	–	–	(885)	(885)
Share based payment	–	–	–	82	–	82
At 30 June 2016	1,206	31,809	714	460	(11,207)	22,982
Comprehensive Income	–	–	–	–	(499)	(499)
Share based payment	–	–	–	81	–	81
At 31 December 2016	1,206	31,809	714	541	(11,706)	22,564
Comprehensive Income	–	–	–	–	(1,352)	(1,352)
Share based payment	–	–	–	54	–	54
At 30 June 2017	1,206	31,809	714	595	(13,058)	21,266

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) £'000	30 June 2016 (Unaudited) £'000	31 December 2016 (Audited) £'000
Assets				
Non-current assets				
Intangible assets		22	30	26
Property, plant and equipment		1	3	2
		23	33	28
Current assets				
Inventories		16	3	14
Trade and other receivables		555	965	811
Short term investments and cash on deposit		10,000	10,000	5,000
Cash and cash equivalents		10,972	12,120	16,878
		21,543	23,088	22,703
Total Assets		21,566	23,121	22,731
Liabilities				
Current liabilities				
Trade and other payables		(300)	(139)	(167)
Net Assets		21,266	22,982	22,564
Equity				
Share capital	6	1,206	1,206	1,206
Share premium	6	31,809	31,809	31,809
Merger reserve	6	714	714	714
Share based payment reserve		595	460	541
Revenue reserve		(13,058)	(11,207)	(11,706)
Total Equity		21,266	22,982	22,564

Approved by the Board and authorised for issue on 22 September 2017.

Marcelo Bravo
Chief Executive Officer

Christopher Hill
Chief Financial Officer

Company number: 07036758

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months to 30 June 2017 (Unaudited) £'000	Six months to 30 June 2016 (Unaudited) £'000	Year to 31 December 2016 (Audited) £'000
Operating Activities			
Loss before tax	(1,352)	(959)	(1,898)
Adjustment for non-cash items:			
Amortisation of intangible assets	4	4	8
Depreciation of property, plant and equipment	1	1	2
Under provision of taxes receivable	–	74	–
Finance income	(58)	(64)	(132)
Share based payment	54	82	163
(Increase)/Decrease in inventories	(2)	6	(5)
Decrease/(Increase) in trade and other receivables	256	22	(130)
Increase/(Decrease) in trade and other payables	133	(168)	(140)
Taxes received	–	–	820
Operating cash outflow	(964)	(1,002)	(1,312)
Net cash outflow from operations	(964)	(1,002)	(1,312)
Investing Activities			
Finance income	58	64	132
(Purchase)/Sale of short-term investment	(5,000)	–	5,000
Net cash (outflow)/inflow from investing activities	(4,942)	64	5,132
(Decrease)/Increase in cash and cash equivalents	(5,907)	(938)	3,820
Cash and cash equivalents at start of period	16,878	13,058	13,058
Cash and cash equivalents at end of period	10,972	12,120	16,878
Short term investments at end of period	10,000	10,000	5,000
Cash, cash equivalents and deposits at end of period	20,972	22,120	21,878

Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

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 2017. These include unaudited comparatives for the six months to 30 June 2016 together with audited comparatives for the year to 31 December 2016.

The condensed consolidated financial statements do not constitute statutory accounts. The statutory accounts for the year to 31 December 2016 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 2016.

3. SEGMENTAL REPORTING

Primary reporting format – business segments

At 30 June 2017, 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.

Secondary reporting format – geographical segments

The Group operates in two 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 2017 (Unaudited) £'000	Six months to 30 June 2016 (Unaudited) £'000	Year to 31 December 2016 (Audited) £'000
Product sales			
Middle East	48	51	51
Brazil	376	319	744
UK	1	–	1
Total product sales	425	370	796
Total	425	370	796
Segment operating loss	(1,410)	(1,023)	(2,030)
Segment net assets	21,266	22,982	22,564

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.

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 2017 (Unaudited) £'000	Six months to 30 June 2016 (Unaudited) £'000	Year to 31 December 2016 (Audited) £'000
Loss attributable to the equity holders of the parent	(1,352)	(885)	(1,384)
	No.	**No.**	**No.**
Weighted average number of ordinary shares in issue during the period	1,205,661,619	1,205,661,619	1,205,661,619
Loss per share			
Basic on loss for the period	(0.11)p	(0.07)p	(0.11)p
Diluted on loss for the period	(0.11)p	(0.07)p	(0.11)p

The Company has issued employee options over 99,700,000 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

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 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	–	15,709
Expense of issue	–	–	(561)	–	(561)
Total Ordinary shares of 0.1p each as at 30 June 2015, 30 June 2016 and 30 June 2017	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 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 Consolidated Financial Statements

7. RELATED PARTY TRANSACTIONS

There are no purchases from or sales to related parties.

During the six month period ended 30 June 2017, 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. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are consistent with those described in the annual financial statements of Oxford Pharmascience Group Plc for the year ended 31 December 2016.

9. INTERIM FINANCIAL REPORT

A copy of this interim report will be available on the Company's website at www.oxfordpharmascience.com

OXFORD PHARMASCIENCE GROUP PLC
2 ROYAL COLLEGE STREET,
CAMDEN,
LONDON, NW1 0NH
UNITED KINGDOM
WWW.OXFORDPHARMASCIENCE.COM

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