Annual Report and Accounts 2011

Oxford Pharmascience Group plc

Directors and Officers

DIRECTORS

David Norwood	*Non-Executive Chairman*
Nigel Theobald	*Chief Executive Officer*
Marcelo Bravo	*Chief Technology Officer*
Michael Bretherton	*Finance Director*
James White	*Non-Executive Director*

COMPANY SECRETARY
Christopher Hill

COMPANY WEBSITE
www.oxfordpharmascience.com

COMPANY NUMBER
07036758 (England & Wales)

REGISTERED OFFICE
Third Floor
17 Hanover Square
London
W1S 1HU

REGISTRAR
Capita Registrars Limited
The Registry
34 Beckenham Road
Kent
BR3 4TU

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

LEGAL ADVISER
Fasken Martineau LLP
7 Hanover Square
London
W1S 1HU

NOMINATED ADVISOR
ZAI Corporate Finance Limited
2nd Floor
177 Regent Street
London
W1B 4JN

BROKER
Hybridan LLP
29 Throgmorton Street
London
EC2N 2AT

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Chairman's Statement

2011 has been a breakthrough year for the Company which changed its name to Oxford Pharmascience to reflect a change of focus to an exciting new sector of pharmaceuticals. That change of focus is now taking shape.

Oxford Pharmascience has 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 consume. This is particularly relevant for the geriatric and paediatric markets. We are also developing modified release formulations that have various clinical benefits such as the safer delivery of statins.

Our technology is attracting wide interest from many pharma companies who may want to enhance and improve their existing products and 2011 has seen our first shipments of our ***OXP chew***™ technology to our Brazilian partner 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 and these orders have carried through into 2012. Licensing of our calcium ***OXP chew***™ product has also been extended to cover the Far East with sales there expected in 2013.

2011 also saw the launch of ***OXP zero***™ the Company's taste masking technology. It has now established proof of concept for the taste masking of ibuprofen, which removes the typical burning sensation on the throat associated with developing ibuprofen products and recently appointed Partner International Incorporated as its business development parner to help with its wordlwide licensing of this technology both for 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 continues to work 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 Adelaide to enable the commercial production of its ***OXP zero***™ technology and is now in a position to start commercial scale work for its licensing projects.

The company has signed a Heads of Terms with Hermes Artzneimittel GmbH to license, develop and launch a range of 'Direct to mouth' granules incorporating its ***OXP zero***™ ibuprofen technology. This is another significant step for the Company as it demonstrates it can reach commercial agreement with leading healthcare companies for ***OXP zero***™ as well as ***OXP chew***™. This deal will speed up the development and launch of the first ***OXP zero***™ ibuprofen products.

During the year we also 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 the major drug category of statins. The Company has launched this as ***OXP target***™ and has begun early conversations looking for a co-development partner for the technology.

Revenues increased by 237 per cent to £0.3 million during the year reflecting the start of sales to Aché in Brazil and sales performance is expected to continue to grow in this area in 2012. The loss of £0.9 million reflects the technology development and scale up of commercial activities achieved during the year. The end of the year saw the company complete a further fund raising of £1.1 million and this together with ongoing growth in sales from its *OXP chew*™ business leaves the Directors confident that significant further progress will be made in 2012.

The challenge for the Company going forward remains twofold. First, we must continue to develop excellent science into innovative products that industry wants and requires. Second, we must continue to 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

26 March 2012

Directors' Report

The Directors present their report and consolidated financial statements for the year ended 31 December 2011.

Change of name

On 19 May 2011 the company changed its name from Oxford Nutrascience Group Plc to Oxford Pharmascience Group Plc. The new name reflects the Company's strategy which has evolved significantly during the last 12 months as it has expanded its technology base and expertise away from nutraceuticals to development and licensing of advanced medicines.

Principal activity

The principal activity of the Group during the year was that of a specialist pharmaceutical technology group developing and licensing solutions to add value to off patent and soon to be off patent drugs. The group is incorporated and domiciled in the UK.

Review of the business and future developments

A review of the Group's performance and future prospects is included in the Chairman's statement on page 2.

Key performance indicators

Key Group performance indicators are set out below:

	31 December 2011 £'000	31 December 2010 £'000
Net assets	1,252	1,095
Loss attributable to equity holders	(926)	(812)
Cash and cash equivalents	1,105	896

Results and dividends

The consolidated trading loss for the year after taxation was £926k (2010: loss of £812k). The directors do not recommend the payment of a dividend (2010: nil).

Share capital and funding

Full details of the Group and Company's share capital movements during the period are given in note 16 of the financial statements.

Directors

The following directors held office in the period.

David Norwood (appointed 12 April 2011)
Marcelo Bravo
Nigel Theobald
Michael Bretherton
James White

Directors' indemnity insurance

The Group has maintained insurance throughout the period for its directors and officers against the consequences of actions brought against them in relation to their duties for the Group.

Directors' remuneration

	Salary & fees £'000	Bonus £'000	Total 2011 £'000	Total 2010 £'000
David Norwood (appointed 12.04.11)	–	–	–	–
Marcelo Bravo	100	–	100	75
Nigel Theobald*	100	–	100	87
Michael Bretherton	10	–	10	10
James White**	40	–	40	25
	250	–	250	197

* Nigel Theobald also holds share options in the company for which a fair value share based charge of £9,000 has been recognised in the consolidated statement of comprehensive income (2010: £12,000)

** James White was awarded share options in the company during the year for which a fair value share based charge of £300 has been recognised in the consolidated statement of comprehensive income. James White also received £8,400 as commission for services provided in relation to the issue of shares for cash in the year.

It is the Company's policy that executive Directors should have contracts with an indefinite term providing for a maximum of six months notice. In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

Non-executive Directors are employed on letters of appointment which may be terminated on not less than six months notice.

Profile of the directors

David Norwood, Non-Executive Chairman

David Norwood, former chief executive of the stockbrokers Beeson Gregory and a former director of Evolution, is the founder of the London Stock Exchange listed company, IP Group plc, which specialises in the development of intellectual property based businesses. David is one of the early shareholders in Oxford Pharmascience and his appointment at the Company heralds Mr. Norwood's long-standing commitment to building science based UK businesses. David is currently Chairman of Retroscreen Virology Limited, Europe's leading specialist virology contract research organisation.

Marcelo Bravo, Chief Technology Officer

Marcelo Bravo is a founder of Oxford Pharmascience and an entrepreneur with a background in chemistry and chemical engineering and international experience with blue-chip companies. Marcelo spent 16 years in R&D with The Procter & Gamble Company and subsequently spent 3 years in corporate development with Boots (now Alliance Boots Plc). Marcelo has extensive experience in developing, launching and growing new products and businesses across a range of both geographic and product markets. Marcelo holds a B.A. in Chemistry from the College of Wooster, USA and a B.Sc. in Chemical Engineering from Case Western Reserve University, USA and an M.Sc in Management from the London Business School.

Nigel Theobald, Chief Executive Officer

Nigel Theobald has a background in marketing and product development in the OTC consumer healthcare market as well as considerable business development experience with blue chip companies. Nigel worked for Boots (now Alliance Boots Plc) for 13 years in a number of commercial and strategic roles including Category Manager for OTC Medicines and Head of Healthcare Brand Development. Nigel set up a consultancy to advise ingredient technology firm Alltracel to launch new products and establish commercial partnerships and worked closely with established health care brands prior to setting up Omscan Ltd, a consumer healthcare production distribution business in the UK, which he sold in 2008. Nigel holds a B.Sc in Economics from Southampton University.

Directors' Report (continued)

Michael Bretherton, Finance Director

Michael Bretherton graduated in Economics from University of Leeds and then worked as an accountant and manager with PriceWaterhouse for seven years in both London and the Middle East. He subsequently joined The Plessey Company Plc before being appointed finance director of Bridgend Group Plc in 1988 where he was involved in the strategic evaluation and commercial implementation of a broad range of business initiatives over a 12 year period. More recently he has worked at the property and services company, Mapeley Limited and at the entertainment software games developer, Lionhead Studios Limited. Michael is currently also an executive director of ORA Capital Partners Limited and is a director for a number of other AIM quoted companies.

James White, Non Executive Director

James White has extensive experience in operations, product development, regulatory, sales and marketing and general management. James worked for Osmetech Plc for 11 years in a number of senior positions including as Chief Executive for the period 2000 to 2010. Osmetech has operations in the UK and USA and is focused on providing molecular diagnostic technologies through a global sales distribution network. James has a track record of mergers and acquisitions, disposals and fundraising in the UK, USA and Europe and was previously a senior consultant in Arthur D Little's corporate finance practice where he specialised in advising on investments in small and medium sized companies.

Substantial shareholders

As at 22 March 2012, shareholders holding more than 3% of the share capital of Oxford Pharmascience Group plc were:

Name of shareholder	Number of shares	Percentage of total voting rights held
ORA (Guernsey) Limited	191,904,725	33.26%
David Norwood	97,514,300	16.90%
Marcelo Bravo	65,000,000	11.26%
Robert Quested	37,871,472	6.56%
Close Asset Management	30,850,000	5.35%
Polar Capital	28,000,000	4.85%

Corporate governance

The Directors recognise the importance of sound corporate governance and observe the principles of the Combined Code, to the extent that they consider them appropriate for the Group's size.

The Board

The Board currently comprises three executive directors and two non-executive directors.

Audit committee

The audit committee's primary responsibilities are to monitor the integrity of the financial affairs and statements of the Company, to ensure that the financial performance of the Company and any subsidiary of the Company is properly measured and reported on, to review reports from the Company's auditors relating to the accounting and internal controls and to make recommendations relating to the appointment of the external auditors.

The audit committee comprises James White who acts as chairman of the committee and David Norwood.

Remuneration committee

The remuneration committee's primary responsibilities are to review the performance of the executive directors of the Company and to determine the broad policy and framework for their remuneration and the terms and conditions of their service and that of senior management (including the remuneration of and grant of options to such person under any share scheme adopted by the Company). The remuneration committee comprises David Norwood, who acts as chairman of the committee and James White.

The remuneration of non-executive directors shall be a matter for the executive members of the board of the Company.

Internal Control

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, not eliminate risk, and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

(i) Management accounts information, budgets, forecasts and business risk issues are regularly reviewed by the Board which meets at least six times per year;

(ii) The Company has operational, accounting and employment policies in place;

(iii) The Board actively identifies and evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and

(iv) There is a clearly defined organisational structure and there are well-established financial reporting and control systems.

Going Concern

At 31 January 2011, the Group had £1,105k (2010: 896k) of cash and cash equivalents available to it. The Directors have considered their obligation, in relation to the assessment of the going concern of the Group and each statutory entity within it and have reviewed the current budget cash forecasts and assumptions as well as the main risk factors facing the Group.

After due enquiry, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Risk management

Details of the Group's financial risk management objectives and policies are disclosed in note 20 to the financial statements.

The main risks arising from the Group's activities are market risk and liquidity risk. The Directors review and agree policies for managing risk at least annually.

Market risk

Interest rate risk

The Company has no external financing facilities therefore its interest rate risk is limited to the level of interest received on its cash surpluses. Interest rate risk on cash and cash equivalents is mitigated by using fixed-rate deposit accounts from time to time.

Liquidity risk

The Company seeks to manage liquidity by ensuring sufficient funds are available to meet foreseeable needs and to invest cash assets safely and profitably. The Group had cash balances of £1,105,000 as at 31 December 2011 (2010: £896,000) which the Directors consider to be sufficient to continue in business for the foreseeable future.

Credit risk

The Company's principal financial asset is cash. The credit risk associated with cash is limited because the company only holds cash with banks with a minimum credit rating of A.

Directors' Report (continued)

Donations
No charitable or political donations were made in the period (2010: nil).

Policy on payment of suppliers
The Group does not follow any code or standard payment practice. The Group's policy is to agree the terms of payment with key suppliers. For all other suppliers, terms are agreed for each transaction. The Group endeavours to abide by the terms of payment with suppliers.

In 2011 the Group's average trade payable remittance period was 29 days (2010: 12 days).

Statement of Directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Oxford Pharmascience Group website, www.oxfordpharmascience.com.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to the auditor
The Directors who were in office on the date of approval of these financial statements have confirmed, that as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors have

confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution to re-appoint RSM Tenon Audit Limited will be put to the members at the Annual General Meeting.

By order of the Board
Christopher Hill
Company Secretary

26 March 2012

Independent Auditors' Report to the members of Oxford Pharmascience Group plc

For the year ended 31 December 2011

We have audited the financial statements ("the financial statements") of Oxford Pharmascience Group plc for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Parent's Statement of Changes in Equity, Consolidated and Parent's Statement of Financial Position, Consolidated and Parent's Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with those International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alistair Hunt,
Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited
Statutory Auditor
The Poynt
45 Wollaton Street
Nottingham
NG1 5FW

26 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Revenues	4	282	123
Cost of sales		(249)	(88)
Gross profit		33	35
Administrative expenses		(969)	(638)
Cost of AIM listing		–	(227)
Total administration costs		(969)	(865)
Operating loss	5	(936)	(830)
Finance income	7	–	–
Loss before tax		(936)	(830)
Taxation	8	10	18
Loss after tax attributable to equity holders of the parent		(926)	(812)
Loss per share	9		
Basic on loss for the period (pence)		(0.19)	(0.18)
Diluted on loss for the period (pence)		(0.19)	(0.18)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 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	–	–	–	–	(812)	(812)
Reallocation of reserves on reorganisation	241	(955)	714	–	–	–
Issue of shares	63	1,037	–	–	–	1,100
Share based payment	–	–	–	12	–	12
At 31 December 2010	464	1,037	714	28	(1,148)	1,095
Loss for the period	–	–	–	–	(926)	(926)
Issue of shares	113	1,017	–	–	–	1,130
Expense of share issue	–	(56)	–	–	–	(56)
Share based payment	–	–	–	9	–	9
At 31 December 2011	577	1,998	714	37	(2,074)	1,252

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	31 December 2011 £'000	31 December 2010 £'000
Assets			
Non-current assets			
Intangible assets	10	68	80
Property, plant and equipment	11	5	5
Total non-current assets		73	85
Current assets			
Inventories	12	44	104
Trade and other receivables	13	159	72
Cash and cash equivalents	14	1,105	896
		1,308	1,072
Total Assets		1,381	1,157
Liabilities			
Current liabilities			
Trade and other payables	15	(129)	(62)
		(129)	(62)
Net Assets		1,252	1,095
Equity			
Share capital	16	577	464
Share premium	16	1,998	1,037
Merger reserve	16	714	714
Share based payment reserve	17	37	28
Revenue deficit reserve		(2,074)	(1,148)
Total Equity		1,252	1,095

Approved by the Board of Directors and authorised for issue on 26 March 2012.

Nigel Theobald
Chief Executive Officer

Michael Bretherton
Finance Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Operating Activities			
Loss before tax		(936)	(830)
Adjustment for non-cash items:			
Depreciation of property, plant and equipment	11	2	2
Amortisation of intangible assets	10	12	6
Share based payment	17	9	12
Decrease/(increase) in inventories		60	(65)
Increase/(decrease) in trade and other receivables		(87)	97
Increase in trade and other payables		67	3
Operating cash outflow		(873)	(775)
Taxation refunded		10	18
Net cash outflow from operations		(863)	(757)
Investing Activities			
Purchases of property, plant and equipment	11	(2)	(6)
Additions of intangible assets	10	–	(79)
Net cash outflow from investing activities		(2)	(85)
Financing Activities			
Proceeds from issue of share capital	16	1,130	1,100
Expenses of share issue	16	(56)	–
Net cash inflow from financing activities		1,074	1,100
Increase in cash and cash equivalents		209	258
Cash and cash equivalents at start of period		896	638
Cash and cash equivalents at end of period		1,105	896

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSS

The financial statements of Oxford Pharmascience Group plc and its subsidiaries (the "Group") for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 26 March 2012 and the Statement of Financial Position was signed on the board's behalf by Nigel Theobald and Michael Bretherton.

Oxford Pharmascience Group plc ("the Company") is an AIM listed company incorporated and domiciled in the UK.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and International Financial Reporting Committee ("IFRIC") interpretations as they apply to the financial statements of the Group for the period ended 31 December 2011.

The principal accounting policies adopted by the Group are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with IFRS as adopted by the EU and IFRIC interpretations as they apply to the financial statements of the Group for the year ended 31 December 2011 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year.

The financial statements are prepared under the historical cost convention, except where otherwise stated.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company's income statement. The parent company's result for the period ended 31 December 2011 was a loss of £143k (2010: loss of 292k).

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Basis of consolidation

The Group financial statements consolidate the financial statements of Oxford Pharmascience Group plc and the entities it controls (its subsidiaries) drawn up to 31 December each year.

Oxford Pharmascience Group Plc was incorporated on 7 October 2009. The Company was specifically created to implement a re-organisation in relation to Oxford Pharmascience 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 on 27 January 2010.

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. This was not a business combination per IFRS 3 and the Directors have therefore treated this combination as a simple re-organisation using the pooling of interests method of accounting.

2. ACCOUNTING POLICIES (CONTINUED)

Pooling of interests method of consolidation

The purchase of Oxford Pharmascience Limited by Oxford Pharmascience Group plc on 27 January 2010 has been treated as a re-organisation using the pooling of interests method of accounting. It has therefore been presented as if the entities had always been combined. Therefore, on consolidation the assets and liabilities were reflected at carrying value rather than fair value. No goodwill arose on the combination, and the difference between the nominal value of shares issued by Oxford Pharmascience Group plc and the nominal value of the ordinary shares of Oxford Pharmascience Limited, together with the capital and reserves of Oxford Pharmascience Limited at the time of the pooling of interests, are shown as “merger reserve” in the consolidated financial statements.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effects of potential voting rights are considered when assessing whether the Group controls the entity. Subsidiaries are fully consolidated from the date control passes.

All intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated on consolidation. Subsidiaries’ accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group. All financial statements are made up to 31 December 2011.

Foreign currency translation

Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in sterling, being the Group’s presentational currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or a service within a particular environment that are subject to risks and returns that are different from those segments operating in other economic environments.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, excluding discounts, rebates, VAT and other sales taxes or duties.

Grant Income

Grant income is recognised as earned based on contractual conditions, generally as expenses are incurred.

Interest income

Interest income is recognised as interest accrues using the effective interest rate method.

Notes to the Consolidated Financial Statements

2. ACCOUNTING POLICIES (CONTINUED)

Research and development

Research costs are charged against the statement of comprehensive income as they are incurred. Certain development costs will be capitalised as intangible assets when it is probable that the future economic benefits will flow to the Company. Such intangible assets will be amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit, and are reviewed for impairment at each year end date. Other development costs are charged against income as incurred since the criteria for their recognition as an asset are not met.

The criteria for recognising expenditure as an asset are:

- it is technically feasible to complete the product;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development, use and sale of the product; and
- expenditure attributable to the product can be reliably measured.

The costs of an internally generated intangible asset comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include employee costs incurred on technical development, testing and certification, materials consumed and any relevant third party cost. The costs of internally generated developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only.

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each year end date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products is continually monitored by the Directors.

Leases

Rentals payable under operating leases, which are leases where the lessor retains a significant proportion of the risks and rewards of the underlying asset are charged in the income statement on a straight line basis over the expected lease term.

At the year end the Group had no obligation, which required a provision to be recognised (2010: nil).

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement, net of any expected reimbursement, but only where recoverability of such reimbursement is virtually certain.

Provisions are discounted using a current pre tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

At 31 December 2011 the Group had no obligations which required a provision to be recognised (2010: nil).

2. ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through the profit and loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year end.

At the year end, the Group had no financial assets or liabilities designated as at fair value through the profit and loss (2010: nil).

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except to the extent that the directors do not anticipate that the timing differences will crystallise in the foreseeable future, and with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which differences can be utilised. An asset is not recognised to the extent that the transfer or economic benefits in the future is uncertain.

Investments in subsidiaries

Investments in subsidiaries are stated in the Company balance sheet at cost less provision for any impairment.

Plant and equipment

Plant and equipment is recognised initially at cost. After initial recognition, these assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes cost directly attributable to making the asset capable of operating as intended.

Depreciation is computed by allocating the depreciable amount of an asset on a systematic basis over its useful life and is applied separately to each identifiable component.

Plant and machinery	–	*25% per annum on a reducing balance basis*
Computer equipment	–	*straight line over 3 years*

Notes to the Consolidated Financial Statements

2. ACCOUNTING POLICIES (CONTINUED)

Plant and equipment (continued)

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement in the period of de-recognition.

Intangible assets

Intangible assets acquired either as part of a business combination or from contractual or other legal rights are recognised separately from goodwill provided they are separable and their fair value can be measured reliably.

Where intangible assets recognised have finite lives, after initial recognition their carrying value is amortised on a straight line basis over those lives. The nature of those intangibles recognised and their estimated useful lives are as follows:

Development costs	–	*straight line over 10 years*
Patent costs and trademarks	–	*straight line over 10 years*

Impairment of assets

At each reporting date the Group reviews the carrying value of its plant, equipment and intangible assets to determine whether there is an indication that these assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an assessment of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a valuation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal. Provision is made for slow moving or obsolete items.

Trade and other receivables

Trade receivables, which generally have 30 to 60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. The time value of money is not material.

Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Significant financial difficulties faced by the customer, probability that the customer will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses.

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and deposits with an original term of not greater than 3 months.

Trade and other payables

Trade and other payables are not interest bearing and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value, net of directly attributable transaction costs incurred. After initial recognition, borrowings are stated at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Share capital

Proceeds on issue of shares are included in shareholder's equity, net of transaction costs. The carrying amount is not re-measured in subsequent years.

Share-based payments

The Company undertakes equity settled share-based payment transactions with certain employees. Equity settled share-based payment transactions are measured with reference to the fair value at the date of grant, recognised on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest. Fair value is measured using the Black Scholes model.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Notes to the Consolidated Financial Statements

2. ACCOUNTING POLICIES (CONTINUED)

Accounting standards and interpretations not applied

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

		Effective Date
IFRS 7	Financial Instruments: Disclosures (amendments)	1 July 2011
IAS 12	Deferred tax: Recovery of Underlying Assets	1 January 2012
IAS 24*	Revised IAS24 Related Party Transactions	1 January 2011
IFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IAS 1	Presentation of Other Comprehensive Income	1 July 2012
IFRS 7	Financial Instruments Disclosures - Offsetting financial assets and finacial liabilities	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Interests in Associates and Joint Ventures	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 19	Employee Benefits	1 January 2013
IAS 32*	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9	Financial instruments	1 January 2015

* endorsed by the EU.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual amounts could differ from those estimates. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. While every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain and, as such, changes in estimates and assumptions may have a material impact on the financial statements.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Equity settled share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation method, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the future volatility of the share price of comparable companies, the Company's expected dividend yields, risk free interest rates and expected lives of the options. The Directors draw on a variety of sources to aid in the determination of the appropriate data to use in such calculations.

3. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Research and development costs

Careful judgement by the Directors is applied when deciding whether the recognition requirements for capitalising development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems. Judgements are based on the information available at each Balance Sheet date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products is continually monitored by the Directors.

Provisions for irrecoverable receivables

Provisions for irrecoverable receivables are based on extensive historical evidence, and the best available information in relation to specific issues, but are nevertheless inherently uncertain.

4. SEGMENTAL INFORMATION

The operating segments are the same as those for which information is presented to the chief operating decision maker.

Primary reporting format – business segments

At 31 December 2011 the Group operated in one business segment, the development and commercialisation of unique delivery systems for medicines. All revenues have been generated from continuing operations and are from external customers.

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:

	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Revenues		
Product sales		
UK*	40	47
Middle East**	25	60
Brazil***	210	–
Other	7	14
	282	121
Grant income	–	1
Other	–	1
Total	282	123

* 2011: 71% (2010: 70%) of the UK revenue is generated from one customer.
** 2011: 100% (2010: 100%) of the Middle East revenue is generated from one customer.
***2012: 100% of Brazil revenue is generated from one customer.

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

Notes to the Consolidated Financial Statements

5. OPERATING LOSS

The Group	31 December 2011 £'000	31 December 2010 £'000
Operating loss is stated after charging:		
Depreciation on plant and equipment (see note 10)	2	2
Amortisation of intangible assets (see note 11)	12	6
Other operating lease rentals	6	5
Staff costs (see note 6)	365	306
Research and development	213	61
Auditor's remuneration:		
Audit services		
Fees payable to company auditor for the audit of the parent and the consolidated accounts	10	10
Fees payable to company auditor for other services		
– Auditing the accounts of subsidiaries pursuant to legislation	7	6
– Other services	–	–
Total auditor's remuneration	17	16

6. STAFF COSTS

The average number of employees during the year (including directors), was as follows:

The Group	31 December 2011 Number	31 December 2010 Number
Administration and management	6	6

The aggregate remuneration, including directors, comprised:

	31 December 2011 £'000	31 December 2010 £'000
Wages and salaries	322	265
Social security costs	34	29
Share based payments	9	12
	365	306

Details of directors remuneration can be found in the directors' report.

7. FINANCE INCOME

The Group	31 December 2011 £'000	31 December 2010 £'000
Bank interest receivable	–	–

8. TAXATION

The Group	31 December 2011 £'000	31 December 2010 £'000
Current tax:		
UK corporation tax losses in the year	–	–
Research and development tax credit receivable	10	18
Prior year adjustment	–	–
Current deferred tax	–	–
Origination and reversal of timing differences	–	–
Tax credit on loss on ordinary activities	10	18

The Group	31 December 2011 £'000	31 December 2010 £'000
Factors affecting tax charge for the year:		
The tax assessed for the year varies from the standard rate of corporation tax as explained below:		
Loss on ordinary activities before taxation	(936)	(830)
Tax at standard rate of 21% (2010: 21%)	(197)	(174)
Effects of:		
Expenses not deductible for tax purposes	6	3
Research and development tax credit receivable	(10)	(18)
Tax losses carried forward	191	171
Prior year adjustment	–	–
Current tax charge for the year	(10)	(18)

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. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 21% is £367k (2010: 21% is £174k).

Notes to the Consolidated Financial Statements

9. LOSS PER SHARE

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.

	Year to 31 December 2011 £'000	Year to 31 December 2010* £'000
Loss attributable to the equity holders of the parent	(926)	(812)
	No.	No.
Weighted average number of ordinary shares in issue during the period	476,097,771	456,750,839
Loss per share		
Basic on loss for the period	(0.19)p	(0.18)p
Diluted on loss for the period	(0.19)p	(0.18)p

*The weighted average number of shares for the period ended 31 December 2010 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 9,500,000 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.

10. INTANGIBLE ASSETS

	Patents and trademarks £'000	Development costs £'000	Total £'000
Cost			
At 31 December 2009	8	–	8
Additions	52	27	79
At 31 December 2010	60	27	87
Additions	–	–	–
At 31 December 2011	60	27	87
Amortisation			
At 31 December 2009	1	–	1
Charge for the year	5	1	6
At 31 December 2010	6	1	7
Charge for the year	9	3	12
At 31 December 2011	15	4	19
Net book value			
At 31 December 2011	45	23	68
At 31 December 2010	54	26	80
At 31 December 2009	7	–	7

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost			
At 31 December 2009	–	1	1
Additions	2	4	6
At 31 December 2010	2	5	7
Additions	–	2	2
At 31 December 2011	2	7	9
Depreciation			
At 31 December 2009	–	–	–
Charge for the year	–	2	2
At 31 December 2010	–	2	2
Charge for the year	1	1	2
At 31 December 2011	1	3	4
Net book value			
At 31 December 2011	1	4	5
At 31 December 2010	2	3	5
At 31 December 2009	–	1	1

12. INVENTORIES

	31 December 2011 £'000	31 December 2010 £'000
Raw materials and consumables	44	104

The inventory expensed to cost of sales during the year is £249k (2010: £88k) and there has been no write off of stock in the year (2010: nil).

13. TRADE AND OTHER RECEIVABLES

	31 December 2011 £'000	31 December 2010 £'000
Trade receivables	115	25
Other receivables	26	31
Prepayments and accrued income	18	16
	159	72

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables are all denominated in sterling.

Notes to the Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

At 31 December the analysis of trade receivables that were past due but not impaired was as follows:

	Total £'000	Neither past due or impaired £'000	<30 days £'000	Past due but not impaired 30 to 60 days £'000
2011	115	107	–	8
2010	25	14	–	11

At the year ended 31 December 2011 there was no requirement for a provision for doubtful debts (2010: nil) and there were no movements in the year (2010: nil).

14. CASH AND CASH EQUIVALENTS

	31 December 2011 Group £'000	31 December 2010 Group £'000
Cash at bank and on hand	1,105	896

All cash balances are denominated in sterling.

15. TRADE AND OTHER PAYABLES

	31 December 2011 Group £'000	31 December 2010 Group £'000
Trade payables	97	25
Other payables	7	–
Taxes and social security	11	18
Accruals	14	19
	129	62

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

16. ISSUED EQUITY CAPITAL AND RESERVES

	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 31 December 2010	464,023,798	464	1,037	714	2,215
Issued for cash 3 November 2011	113,000,000	113	1,017	–	1,130
Expense of issue	–	–	(56)	–	(56)
Total ordinary shares of 0.1p each as at 31 December 2011	577,023,798	577	1,998	714	3,289

The acquisition of Oxford Nutrascience Limited (now Oxford Pharmascience Limited) in 2010 was accounted for as a re-organisation using the pooling of interests method of accounting as set out in note 2 to these financial statements and under which the shares issued by the company were 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.

17. SHARE BASED PAYMENTS

The Group operates a share option plan, under which certain directors have been granted options to subscribe for ordinary shares. All options are equity settled. The options granted in the current year have an exercise price of 1.0p (those granted in previous years 1.6p) and the vesting period was generally 1 or 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The number and weighted average exercise prices of share options are as follows:

	Number of share options	Weighted average exercise price per share
At 31 December 2009	300,000	40.0
Granted in the year	–	–
Adjustment on re-organisation	7,200,000	(38.4)
At 31 December 2010	7,500,000	1.6
Granted in the year	2,000,000	1.0
Outstanding at 31 December 2011	9,500,000	1.5

On 27 January 2010, the Company acquired 100 per cent. of the issued share capital of Oxford Nutrascience Limited in a share for share exchange on the basis of 25 for 1 exchange ratio. As part of the re-organisation and share for share exchange, share options in Oxford Nutrascience Limited were substituted by share options in the Company as increased by a multiple of 25 and at an exercise price reduced by a multiple of 25.

Notes to the Consolidated Financial Statements

17. SHARE BASED PAYMENTS (CONTINUED)

There were 3,750,000 (2010: 3,125,000) share options outstanding at 31 December 2011 which were eligible to be exercised. To date no share options have been exercised, lapsed or forfeited. There are no market based vesting conditions attached to any of the share options outstanding at 31 December 2011 (2010: nil).

The fair value of equity settled share options granted is estimated at the date of grant based on the Black Scholes model which is considered most appropriate considering the effects of the vesting conditions, expected exercise price and the payment of the dividends by the Company. The following table lists the inputs to the model used for the year ended 31 December 2010 and the year ended 31 December 2011, market conditions are assumed to be met during the vesting period:

	Granted year to 31 December 2011	Granted year to 31 December 2010
Dividend yield	–	–
Expected volatility*	50%	–
Risk free interest rate	0.5%	–
Expected vesting life of options	1-3 years	–
Weighted average exercise price	1.5p	–
Weighted average share price at date of grant	1.5p	–

* *expected volatility is based on the rate used by similar start-up technology companies

A share based payments charge has been recognised in the statement of comprehensive income of £9k for the year (year to 31 December 2010: £12k).

18. COMMITMENTS

Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The future aggregate minimum lease and service charge payments under non-cancellable operating leases are as follows:

	31 December 2011 Group £'000	31 December 2010 Group £'000
Land and buildings:		
Not later than one year	1	–
After one year but not more than five years	–	–
After five years	–	–
	1	–

19. SUBSIDIARY COMPANIES

At 31 December 2011 the Company has investments in subsidiaries where it holds 50 per cent. or more of the issued ordinary share capital of the following companies:

Undertaking	Sector	Country of incorporation	% of issued ordinary share capital and voting rights
Oxford Pharmascience Limited	Pharmaceutical	England and Wales	100
Oxford Nutra Limited	Dormant	England and Wales	100

20. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

The Group's activities expose it to a variety of financial risks: market risk (specifically interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The management of these risks is vested in the Board of Directors. The policies for managing each of these risks are summarised below:

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in note 16 and in the Group Statement of Changes in Equity.

The Group's principal financial liabilities comprise trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash, which arise directly from its operations.

The Group does not currently enter into derivative transactions such as interest rate swaps and forward currency contracts.

Categorisation of financial instruments

Financial assets/(liabilities)	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
31 December 2011			
Trade and other receivables	141	–	141
Cash and cash equivalents	1,105	–	1,105
Trade and other payables	–	(115)	(115)
	1,246	(115)	1,131
31 December 2010			
Trade and other receivables	56	–	56
Cash and cash equivalents	896	–	896
Trade and other payables	–	(43)	(43)
	952	(43)	909

The group had no financial instruments measured at fair value through profit and loss.

The main risks arising from the Group's financial instruments are credit risk and interest rate risk. The Board of Directors reviews and agrees policies for managing risks which are summarised below.

Credit risk

The Group's principal financial assets are cash and cash equivalents. The Group seeks to limit the level of credit risk on the cash balances by only depositing surplus liquid funds with counterparty banks that have high credit ratings.

The company trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. The Group's maximum exposure is the carrying amount as disclosed in note 13.

There are no significant concentrations of credit risk within the group.

Notes to the Consolidated Financial Statements

20. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Interest rate risk

As the Group has no significant borrowings the risk is limited to the reduction of interest received on cash surpluses held at bank which receive a floating rate of interest. Interest rate risk is managed in accordance with the liquidity requirement of the Group, with a minimum of 30 per cent. of its cash surpluses held within an instant access account, which has a variable interest rate attributable to it, to ensure that sufficient funds are available to cover the working capital requirements of the Group.

The principal impact to the Group is the result of interest-bearing cash and cash equivalent balances held as set out below:

	31 December 2011			31 December 2010		
	Fixed rate £'000	Floating rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Cash and cash equivalents	182	923	1,105	–	896	896

At 31 December 2011, the impact of a 10 per cent. increase or decrease in interest rates would have decreased/increased loss for the period by £923 (2010: £896) as a result of higher/lower interest received on floating rate cash deposits.

Maturity profile

The Group's policies in respect of managing liquidity risk are set out in the Directors' report. As all financial assets and liabilities are expected to mature within the next twelve months an aged analysis of financial assets and liabilities has not been presented.

21. RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties:

The Group

There are no sales to related parties. Purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash.

During the period ended 31 December 2011, consultancy fees of £6k (2010: £4k) have been charged through the income statement in respect of ORA Capital Partners Limited which is a substantial shareholder in Oxford Pharmascience Group plc.

Directors' remuneration

The remuneration of the individual Directors is provided in the Directors' Remuneration Report within the Directors' Report and disclosed in note 6 of the financial statements.

22. ULTIMATE CONTROLLING PARTY

The directors do not believe an ultimate controlling party exists.

Company Statement of Changes in Equity

For the period ended 31 December 2011

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Based Payments Reserve £'000	Revenue Deficit Reserve £'000	Total Equity £'000
Comprehensive income	–	–	–	–	(292)	(292)
Issued to acquire subsidiary company	401	–	714	–	–	1,115
Issue of shares for cash	63	1,037	–	–	–	1,100
Reallocation of reserves on reorganisation	–	–	–	16	(16)	–
Share based payment				12	–	12
At 31 December 2010	464	1,037	714	28	(308)	1,935
Comprehensive income	–	–	–	–	(143)	(143)
Issue of shares for cash	113	1,017	–	–	–	1,130
Expense of share issue	–	(56)	–	–	–	(56)
Share based payment	–	–	–	9	–	9
At 31 December 2011	577	1,998	714	37	(451)	2,875

Company Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 £'000	31 December 2010 £'000
Assets			
Non-current assets			
Investments	C3	1,115	1,115
Total non-current assets		1,115	1,115
Current assets			
Trade and other receivables	C4	856	76
Cash and cash equivalents		923	763
Total current assets		1,779	839
Total Assets		2,894	1,954
Liabilities			
Current liabilities			
Trade and other payables	C5	(19)	(19)
Total current liabilities		(19)	(19)
Net Assets		2,875	1,935
Equity			
Share capital		577	464
Share premium		1,998	1,037
Merger reserve		714	714
Share based payment reserve		37	28
Revenue deficit reserve		(451)	(308)
Total Equity		2,875	1,935

Approved by the Board of Directors and authorized for issue on 26 March 2012

Nigel Thobald	Michael Bretherton
Cheif Executive Officer	Finance Director

Company number: 07036758

Company Statement of Cash Flows

For the period ended 31 December 2011

	Notes	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Operating Activities			
Loss before tax		(143)	(292)
Adjustment for non-cash items:			
Share based payment		9	12
Increase in trade and other receivables		(780)	(76)
Increase in trade and other payables		–	19
Operating cash outflow		(914)	(337)
Net cash outflow from operations		(914)	(337)
Investing Activities			
Proceeds from issue of share capital		1,130	1,100
Expense of share issue		(56)	–
Net cash inflow from financing activities		1,074	1,100
Increase in cash and cash equivalents		160	763
Cash and cash equivalents at start of period		763	–
Cash and cash equivalents at end of period		923	763

Notes to the Company Information

For the period ended 31 December 2011

C1. Principal accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006 and in accordance with IFRS.

The principal accounting policies adopted are the same as for those set out in the Group's financial statements.

C2. Company results

The Company was incorporated and registered in England and Wales as a public company on 7 October 2010. The comparative result and cash flow are for the period from incorporation to 31 December 2010.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company's income statement. The parent company's result for the period ended 31 December 2011 was a loss of £143k (2010: loss of 292k).

The audit fee for the company is set out in note 5 of the Group's financial statements.

C3. Investment in subsidiary companies

On 27 January 2010 the Company acquired 100% of Oxford Pharmascience Limited, a company incorporated and registered in the United Kingdom, by issuing 401,164,650 shares of 0.1p each.

	31 December 2011 £'000	31 December 2010 £'000
Investment in subsidiary*	1,115	1,115

* The company also owns 100% of Oxford Nutra Limited, a dormant company incorporated in England and Wales. The cost of the investment is £1, representing 100% of the issued share capital.

C4. Trade receivables

	31 December 2011 £'000	31 December 2010 £'000
Other Debtors	9	5
Prepayments	14	9
Intercompany balance	833	62
	856	76

C5. Trade payables

	31 December 2011 £'000	31 December 2010 £'000
Trade Creditors	3	7
Social security and other taxes	8	7
Accruals	8	5
	19	19

Notice of Annual General Meeting

OXFORD PHARMASCIENCE GROUP PLC

Formerly Oxford Nutrascience Group Plc

(Incorporated in England and Wales with registered number 07036758)

NOTICE OF 2012 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2012 Annual General Meeting of Oxford Pharmascience Group Plc will be held at the offices of Fasken Martineau LLP, Third Floor, 17 Hanover Square, London W1S 1HU on 14 June 2012 at 2 p.m. to transact the following business, of which resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, the Audited Statement of Accounts and Auditors' Report for the year ended 31 December 2011.

2. To re-elect David Robert Norwood as a director of the Company, who stands for re-election pursuant to the Articles of Association of the Company.

3 To re-elect Nigel James Theobald as a director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.

4. To re-elect James Nicholas White as a director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.

5. To re-appoint RSM Tenon Audit Limited as auditors of the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

Allotment of shares

6. That the Directors be and they are hereby generally and unconditionally authorised in substitution for all previous powers granted to them (but without prejudice to the continuing power of the Directors to allot equity securities (as defined in section 560 of the Companies Act 2006 (the "Act")) in pursuance of an offer or agreement made before the expiry of the authority pursuant to which such offer or agreement was made) to exercise all of the powers of the Company to allot equity securities pursuant to section 551 of the Act up to an aggregate nominal amount of £201,841.25 provided that this authority shall expire on the earlier of the conclusion of the next following Annual General Meeting of the Company or 30 June 2013, unless and to the extent that such authority is renewed, varied, revoked or extended prior to such date, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry of this authority and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of pre-emption rights

7. That the Directors be and they are hereby authorised and empowered pursuant to section 571 of the Act in substitution for all previous powers granted to them (but without prejudice to the continuing power of the Directors to allot equity securities (as defined in section 560 of the Companies Act 2006 (the "Act")) in pursuance of an offer or agreement made before the expiry of the authority pursuant to which such offer or agreement

Notice of Annual General Meeting

was made) to allot equity securities pursuant to the section 551(1) authority referred to in resolution 6 above as if section 561(1) of the Act did not apply to any such allotment, provided that such power is limited to:

(a) the allotment of equity securities in connection with rights issues to holders of ordinary shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the law of, or the requirements of any regulatory body or any recognised stock exchange in, any territory;

(b) in connection with the issue of equity securities of an aggregate amount of up to £7,500 in connection with the exercise of the options granted under an option agreement made between the Company and Nigel Theobald (a director of the Company) and dated 27 January 2011;

(c) in connection with the issue of equity securities of an aggregate amount of up to £2,000 in connection with the exercise of the options granted under an option agreement made between the Company and James White (a director of the Company) and dated 21 November 2011; and

(d) in connection with the issue of equity securities (otherwise than pursuant to paragraphs (a), (b) or (c) above) up to a maximum aggregate nominal amount of £86,553.57;

provided that this authority shall expire on the earlier of the conclusion of the next following Annual General Meeting of the Company or 30 June 2013, unless and to the extent that such authority is renewed, varied, revoked or extended prior to such date, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry of this authority and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

Christopher Hill
Secretary

26 March 2012

Registered office:
Third Floor
17 Hanover Square
London
W1S 1HU

EXPLANATORY NOTES

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:

   - 2 p.m. on 12 June 2012; or,
   - if this Meeting is adjourned, at 2 p.m. on the day two days prior to the adjourned meeting,

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   - completed and signed;
   - sent or delivered to Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
   - received by Capita Registrars no later Limited than 2 p.m. on 12 June 2012.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which

Notice of Annual General Meeting

the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment as above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   The revocation notice must be received by Capita Registrars no later than 2 p.m. on 12 June 2012. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Voting rights

9. As at 18:00 on 23 March 2012, the Company's issued share capital comprised 577,023,798 ordinary shares of £0.001 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 18:00 on 23 March 2012 was 577,023,798 ordinary shares.

Directors' transactions and service contracts

10. A statement or summary of transactions of Directors (and their family interests) in the share capital of the Company and copies of all Directors' service contracts of more than one year's duration will be available for inspection at the registered office during usual business hours (Saturdays and public holidays excepted) until the date of the annual general meeting, and at the place of the meeting for at least 15 minutes before the meeting until the conclusion of the meeting.

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Oxford Pharmascience Group plc

Weston House
Bradgate Park View
Chellaston
Derby
DE73 5UJ

www.oxfordpharmascience.com