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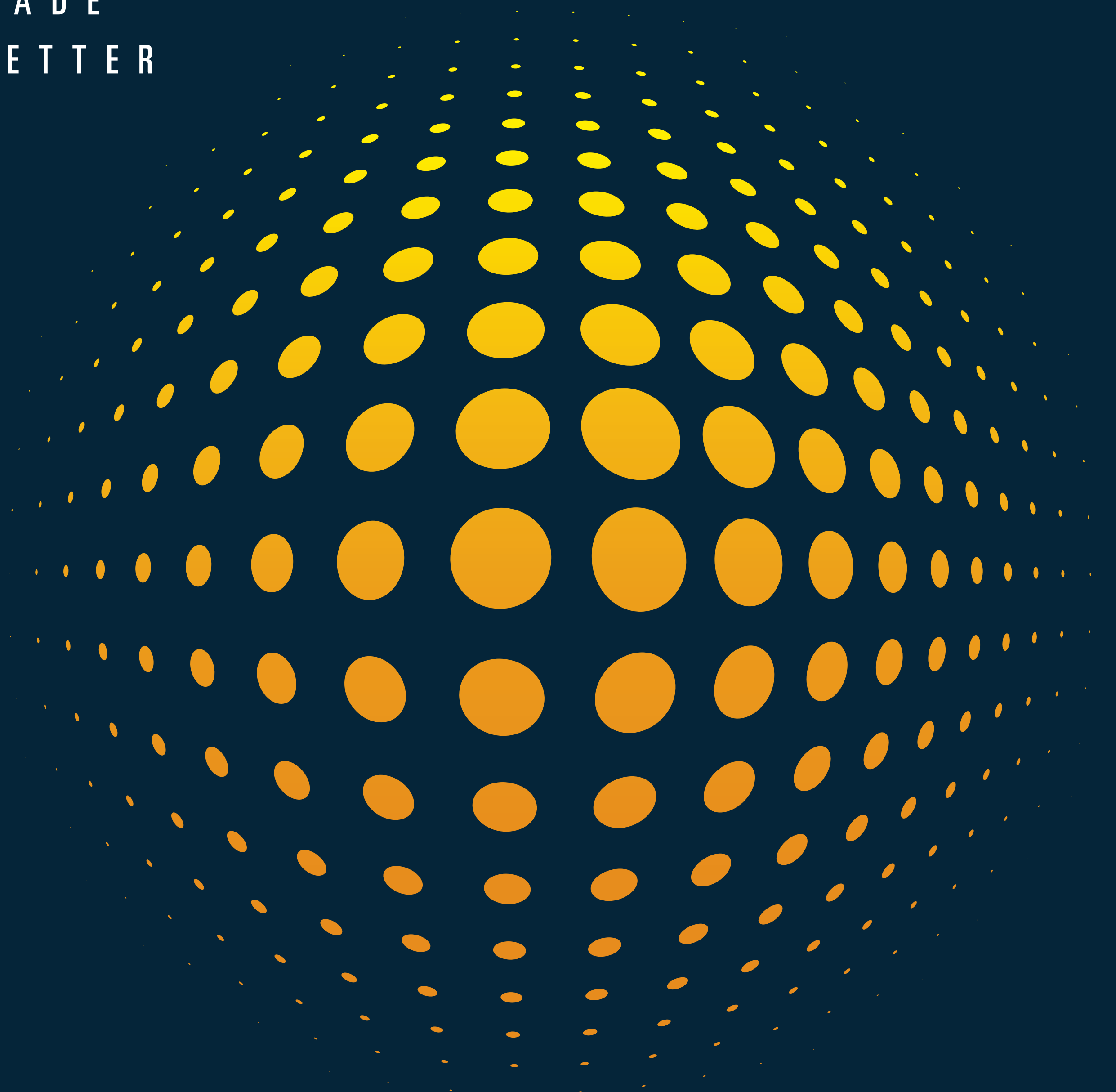

ANNUAL REPORT AND ACCOUNTS 2016

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
07036758 (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
16 Great Queen Street
London
WC2B 5DG

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

Contents

Chairman and Chief Executive Officer's Joint Review

During the past year the Group has been primarily focused on commercialisation efforts for its lead compounds OXPzero Ibuprofen™ and OXPzero Naproxen™ and in regulatory, technical and clinical activities in support of these assets.

Commercial Activities

As reported in July 2016, during the first half of 2016 the Group held discussions with several global over-the-counter (OTC) drug companies with strategic interest in the NSAIDs (non-steroidal anti-inflammatory drugs) market. These discussions confirmed to the Group that the OXPzero™ technology platform would be a potentially disruptive, differentiated and very valuable asset in OTC markets. Feedback received, however, indicated that these OTC drug companies would prefer to see the assets further developed and, importantly, to have more clarity on the regulatory pathway(s) for OTC product approval before committing to a partnership agreement on either individual assets or on the platform as a whole.

In the autumn of 2016 the Group began reaching out to select companies operating in the prescription (Rx) sector, initially with focus on the US market and this process is currently ongoing. During discussions with prospective partners, it has also become clear that clarity on the regulatory pathway for the Rx market is a key milestone to facilitate and progress discussions. The Group continues dialogue with prospective partners regarding these developments with a view to agreeing a commercial partnership agreement for its OXPzero™ assets. Updates will be provided in due course.

Regulatory, Technical and Clinical

To clarify the regulatory pathway in the key US market, the Group assembled a team of advisers and prepared and submitted pre-IND (Investigational New Drug) meeting packages to the FDA in December 2016 for both the OXPzero™ Ibuprofen OTC and Rx programmes. As recently announced, the FDA has indicated that its formal feedback will be provided during the first quarter of 2017. Clarity on the regulatory pathway will be a significant milestone for the Group and is expected to further facilitate partnering discussions for the key US market. We look forward to receiving this feedback in the coming weeks.

An important area of technical and clinical activity for the Group throughout last year has been the laboratory work to identify modifications to the OXPzero™ technology platform to alter the release properties and enable faster release of the NSAID. Successful completion of laboratory work has led to the filing of a new patent on the modification and control of release properties. The technology modifications identified are currently being tested *in vivo* through an exploratory pharmacokinetic (PK) study. The study, a phase I exploratory PK study amongst healthy subjects, "OAT-01", is a three-part, open label, active controlled, crossover study designed to assess the PK profile of the lead OXPzero™ Ibuprofen technology modifications against licensed ibuprofen products to verify that the improvements in speed of ibuprofen release seen in the lab studies translate into *in vivo* improvements.

The Group is very pleased with the results from the first part of the study, which demonstrate that the technology modifications can not only make OXPzero™ Ibuprofen bioequivalent to the ibuprofen free acid reference product, but also potentially faster acting. Achieving a product that is bioequivalent to the reference product is highly important to the Group as the regulatory pathway to gaining product approval generally becomes faster, simpler and therefore less costly for bioequivalent products. The potential to accelerate speed of action or to extend the duration of effect is expected to further differentiate prospective OXPzero™ products. The OAT-01 study will have two further parts to help the Group further optimise formulations for different applications and provide data to support its patent application (as mentioned above).

Importantly, the evaluation of the technology modifications in an *in vitro* gastric cell model developed by the University of Newcastle has shown that the release modifications do not cause diminution in the viability of gastric cells. Therefore it is considered likely that the beneficial gastrointestinal effect of the OXPzero™ technology seen in earlier endoscopy trials will be preserved with the modified formulation(s).

Working with its manufacturing partner, Dipharma Francis Srl, the Group has successfully developed and optimised the manufacturing process, initially for OXPzero™ Ibuprofen, increasing process efficiency and robustness. The process has been validated at an intermediate scale which will support the production of sufficient materials for future development requirements and allow progression of the manufacturing process to commercial scale batch production.

The Group was also pleased to announce in January 2017 that it had successfully synthesised a further NSAID molecule, ketorolac, at laboratory scale. Ketorolac is an NSAID in the family of heterocyclic acetic acid derivatives which is used for moderate-to-severe pain relief, often prescribed in place of opioids. The use of ketorolac is heavily restricted (to not more than five days) due to the potential of increasing the frequency and severity of adverse reactions which include gastro-intestinal bleeding. The Group believes that a safer version of ketorolac would be an effective alternative or complement to opioids in certain clinical settings.

Intellectual Property

The Group has also worked to strengthen its IP portfolio by not only filing a new patent on control of release properties (discussed above) but also by in-licensing two further patent families that provide protection on specific aspects of the manufacture of the OXPzero™ materials. All of these patents are early in the patent life cycle and if granted will provide robust protection over close to full patent life.

Other programmes

While the primary focus has been on the OXPzero™ NSAIDs platform, the company also carried out development work to further its cardiovascular pipeline.

Following extensive process development work, OXPzero Aspirin™ has been successfully manufactured at laboratory scale. However, as the material produced by this process has not attained the required stability profile, a decision has been taken not to progress this programme further at this time.

In our statins portfolio, development of a new colonic release formulation of atorvastatin is ongoing. The aim of this programme is to reduce the side effects such as myalgia (muscle pain) associated with statin use. A new formulation development and manufacturing contract facility has been appointed and development of a new salt form of atorvastatin with anticipated improved acid stability is ongoing.

Chairman and Chief Executive Officer's Joint Review

Financial Results

Revenue from the calcium chew business grew for the second consecutive year with sales of £796k (2015: £749k). We continue to work with our main partner, Ache Laboratorios in Brazil and have engaged business development resource to seek to grow product sales in other territories going forward.

The Group continues to implement a lean and agile, low cost business model which allows the execution of its R&D plan in the most efficient manner. Administrative expenses, including R&D expenditure were £2.2m versus £4.1m in 2015, the decrease mainly due to the reduced number of clinical trials performed in the year. The loss before tax was £1.9m versus a loss of £3.9m in the prior year.

The Group remains well-funded with cash and short-term investment balances at 31 December 2016 of £21.9m (2015: £23.1m). This allows the Group the flexibility it requires to deliver its R&D programme and to retain the ability to take selected products through to registration if deemed more likely to create greater shareholder value.

Outlook

In the near term, the Group will continue to focus on activities that support the progression to market for OXPzero Ibuprofen™ and OXPzero Naproxen™ while at the same time proceeding with development of its pipeline assets.

Partnering discussions for taste masked applications of NSAIDs are ongoing with large OTC drug companies both in North America and Europe and they will be reinvigorated with the recent results demonstrating the faster acting benefit/bioequivalence of the technology. The Group's objective is to establish a small number of quality commercial partnerships that demonstrate the commercial feasibility of the technology, allowing the Group to progress the platform further in terms of generating additional applications and building greater value.

On the Rx front, the Group will continue its out-reach to companies operating in pain management, initially with focus in the US market where we are most advanced in terms of understanding clinician and payor acceptance as well as being near to clarifying the regulatory pathway to product approval.

Separately, now that the Group has established that it can develop a bioequivalent OXPzero™ Ibuprofen product, we see opportunity to further advance the development of an NSAID based cough & cold hot drink product. This is an area where we see major market opportunity and one in which the Group could get a product developed and approved for sale in a major geography with relatively low levels of investment.

The Group remains well-funded to complete this next stage of work, with cash, cash equivalents and money held on deposit as at 31 December 2016 of £21.9 million.

David Norwood
Chairman

Marcelo Bravo
Chief Executive Officer

9 March 2017

Strategic Report

Strategy and business objectives

The Group's objectives in 2016 were to continue with clinical work of its main platform, OXPzero™, and attempt to gain commercial partnership for the various platform assets. The Group began an outreach programme in early 2016, in conjunction with its investment banking adviser. As reported to shareholders in July 2016, despite wide interest from potential partners, the Group was unable to conclude a deal. The feedback received from potential partners however, gave the Group a good insight in to the commercial appeal of the platform and also gave clear direction of future work streams for the Group to pursue in order to make the OXPzero™ platform more appealing. This work has been on-going and the results will be reported to the market in due course.

Going in to 2017, the Group continues to engage with potential partners to seek collaboration for the OXPzero™ platform assets as well as continuing development work across its other programmes. Further details of this are included in the Chairman's Statement on page 2.

Development and performance

2016 was a quieter year in comparison to 2015 during which the Group conducted proof of concept trials with two different NSAIDs. Accordingly, the Research and Development costs incurred in the year were lower than previous years. Research and Development spend (included within operating expenses) was £1.0m in 2016, compared to £2.5m in 2015. The Group continues to operate a flexible, outsourced approach that can be expanded as required – this enables us to maintain our low cost operating base.

Sales in the year to 31 December 2016 were £796k compared to £749k in the previous year. We continue to work with our main partner, Ache Laboratorios in Brazil and have engaged business development resource to try and grow product sales in other territories going forward. The Group has recently signed a distribution agreement with Deutsche Pharma S.A.C. to allow product to be sold in Peru. The loss for the year after tax of £1.4m (2015: £3.1m) is in line with expectation.

Position at year end

The Group finished the year with cash and short-term investment balances of £21.9 million (2015: £23.1 million). Net assets at 31 December 2016 were £22.6 million compared to £23.8 million at 31 December 2015.

Events since the end of the financial year

There are no events to report which have occurred since the end of the financial year.

Key performance indicators

The key indicators of performance for the business in its current stage of development are the successful conclusion of clinical trials and the winning of commercial contracts and license agreements to commercialise the Group's products.

In addition, the control of capital allocated to the Group's development projects is a priority for management. Budgets are monitored closely to ensure adequate financial resources are available to meet financial commitments as they arise.

At this stage in its development, quantitative key performance indicators are not an effective way of measuring the Group's performance.

Strategic Report

Principal risks and uncertainties

The Group considers that the principal risks to achieving its business objectives are as follows:

Clinical trial data

The Group is reliant on positive data arising from trials scheduled for 2017 and beyond. The Group cannot guarantee that results will match expectations but has tried to minimise this risk through non-clinical and pre-clinical work and detailed trial programme design and close consultation with Key Opinion Leaders (KOLs), scientific advisers and regulatory bodies.

Regulatory risk

The Group's strategy depends on being able to develop products which generate an economic return on the investment required. If the pathway to gaining regulatory approval determined by regulatory bodies is too onerous there is no guarantee that the Group will be able to complete its development programmes. The Group seeks to reduce this risk by developing products using safe, well-known, existing drugs and by seeking advice from regulatory advisers, and holding timely consultations with regulatory approval bodies.

Customers

The Group's success is dependent upon generating revenue from licensing its Intellectual Property (IP) to customers. As the Group's development programmes proceed, the Group will seek to form relationships and sign commercial contracts with larger pharmaceutical companies on terms that generate an economic return.

Intellectual property

The success of the Group's strategy depends in part on the ability to protect and defend its rights over its IP portfolio. The Group has procedures in place to monitor and guard its IP and also has specialist lawyers to defend against potential breaches should they arise.

Attraction and retention of key employees

Attracting and retaining key personnel is critical to the long-term success of the business. The Group aims to provide remuneration and working conditions that will both attract and retain high calibre employees. The Group operates a share option scheme for certain senior staff which allows them to benefit from future improvements in the Group's share price.

Funding

The Group has £21.9 million of cash and short-term investments as at 31 December 2016. The Directors believe that this is sufficient to take key development programmes through to commercialisation. However, were the development programmes to be delayed or suffer cost over-runs, additional finance may be required. The Board tries to manage and mitigate this risk by regularly reviewing budgets and analysing future cash requirements.

Christopher Hill
Chief Financial Officer

9 March 2017

Directors' Report

The Directors present their report and the consolidated financial statements for the year ended 31 December 2016.

Results and dividends

The consolidated trading loss for the year after taxation was £1.38m (2015: loss of £3.11m). The directors do not recommend the payment of a dividend (2015: nil)

Share capital and funding

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

Directors

The following directors held office in the year.

David Norwood
Marcelo Bravo
James White
Christopher Hill
John Goddard
Karl Van Horn
Anand Sharma (Appointed 25 February 2016, resigned 20 July 2016)

Directors' indemnity insurance

The Group has maintained insurance throughout the year 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	Pension £'000	Sub-total £'000	Employer National Insurance Contributions £'000	Total 2016 £'000	Total 2015 £'000
David Norwood	25	–	–	25	2	27	27
Marcelo Bravo	130	–	–	130	17	147	246
James White	15	–	–	15	–	15	15
Christopher Hill	100	–	5	105	12	117	162
John Goddard	15	–	–	15	1	16	16
Karl Van Horn	15	–	–	15	1	16	16
Anand Sharma	18	–	–	18	1	19	n/a
	318	–	5	323	34	357	482

* Mr C Hill received a bonus payment in the year ended 31 December 2015 of £25k which was paid as an additional pension contribution.

It is the Group'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.

Directors' Report

Directors' share options

	Options at 01-Jan-16	Awarded in the year	Options Exercised	Options Forfeited	Options at 31-Dec-16	Option price (pence)	Latest exercise date	Performance Criteria
James White	2,000,000	–	–	–	2,000,000	1.00	21/11/2021	Time vesting
James White	1,000,000	–	–	–	1,000,000	4.00	11/03/2024	Share price performance
Marcelo Bravo	65,000,000	–	–	–	65,000,000	4.00	11/03/2024	Share price performance
Christopher Hill	3,000,000	–	–	–	3,000,000	4.00	11/03/2024	Time vesting
Christopher Hill	3,000,000	–	–	–	3,000,000	4.00	11/03/2024	Share price performance
John Goddard	2,500,000	–	–	–	2,500,000	4.00	11/03/2024	Time vesting
Karl Van Horn	2,500,000	–	–	–	2,500,000	3.80	20/11/2024	Time vesting
Christopher Hill	6,000,000	–	–	–	6,000,000	7.25	09/03/2025	Share price performance
Christopher Hill	3,000,000	–	–	–	3,000,000	5.50	03/12/2025	Time vesting
Christopher Hill	3,000,000	–	–	–	3,000,000	5.50	03/12/2025	Share price performance
Anand Sharma	–	2,500,000	–	(2,500,000)*	–	4.63	11/03/2026	Time vesting
	91,000,000	2,500,000	–	(2,500,000)	91,000,000			

Certain senior staff members who are not directors hold share options totalling 8,700,000, 4,500,000 of which were granted in the year. All of these share options have share price performance criteria attached. The total number of share options outstanding is 99,700,000.

* Options were forfeited on resignation from the Group.

Further details of the Group's share option plan are included in note 17.

Profiles 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 David's long-standing commitment to building science based UK businesses. David is also Chairman of hVIVO plc (formerly Retroscreen Virology Group plc), Europe's leading specialist virology contract research organisation, 4D pharma plc, a pharmaceutical company focussed on developing revolutionary therapy solutions and is a Director of Oxford Sciences Innovation plc, a company set up to help commercialise innovative companies originating in Oxford.

Marcelo Bravo, Chief Executive 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 MSc in Management from the London Business School.

James White, Non-Executive Director

James White has extensive experience in operations, product development, regulatory, sales and marketing and general management. James currently runs KBMO Diagnostics whose lead product is the FIT (Food Inflammation Test) Test with operations in Boston Massachusetts. Prior to that, James worked for Osmetech Plc for 11 years in a number of senior positions including as Chief Executive for the period 2000 to 2010. 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.

Christopher Hill, Chief Financial Officer

Chris Hill graduated in Economics and Public Policy in 2001 from Leeds Metropolitan University where he combined his studies with a professional rugby career. He then went on to gain his chartered accountancy qualification with Grant Thornton. Chris has a background in Private Equity and Venture Capital specialising in fostering fast growing technology start-up companies. He is also a director of Quoram Plc, an investment company previously admitted to trading on AIM.

John Goddard, Non-Executive Director

John Goddard has had a distinguished career in the global pharmaceutical industry, the majority of which was with AstraZeneca, where he was ultimately Head of Group Strategic Planning and Business Development. Prior to his retirement from AstraZeneca in 2010, he was responsible for a 100-strong global team focused on M&A and licensing, which completed around 75 transactions in four years including several acquisitions, in-licensing and out-licensing of compounds and disposals. Latterly, Mr. Goddard became Chairman of two AstraZeneca subsidiaries, Aptium Oncology in the US and Astratech in Sweden. He is currently a member of the Board of Directors of Diurnal Group PLC and Intas Pharmaceuticals Limited. Mr Goddard is a Fellow of the Institute of Chartered Accountants and a Member of the Association of Corporate Treasurers.

Karl Van Horn, Non-Executive Director

Karl Van Horn has had a distinguished multinational career in senior positions across investment management, corporate governance, industry and not-for-profit organisations. He has held senior roles in the Trusts and Investments Division of The Morgan Guaranty Trust, American Express Asset Management, the Qatar Investment Board (Doha), J.P. Morgan (Japan) and Aspcomp (Helsinki) amongst other institutional mandates. Mr. Van Horn is currently the Chairman of the Taube Offshore Fund (Cayman) and a director of American Express Asset Management N.V. (although he has had no active involvement with the latter since 1987). He also is a member of the Investment Management Institute (New York), a Life Trustee of University School (Cleveland, Ohio) and a Trustee of the University of Bologna (Italy). Mr. Van Horn holds a Doctorate in International Affairs from Bologna/Johns Hopkins, a MA in Economics from Cambridge University and a BSc from Yale University. He was formerly a director of Front Row Partners UK LLP.

Corporate governance

The Directors recognise the importance of sound corporate governance and the Board acknowledges the importance of the principles set out in the UK Corporate Governance Code. Although the Code is not mandatory for AIM quoted companies, and is not being voluntarily adopted, the Group continues to be committed to high standards of corporate governance in so far as it is reasonably practicable and appropriate for a company of its size and complexity.

The Board

The Board comprises two executive directors and four 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 John Goddard who acts as chairman of the committee and Karl Van Horn.

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

Directors' Report

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 December 2016, the Group had £21.9m (2015: £23.1m) of cash and short-term investments 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, which the directors consider to be at least 12 months from the date the financial statements are signed. 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 consolidated financial statements.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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. Under that law the directors have elected 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.

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 and profit or loss of the Company and the Group for that period.

In preparing these 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 Company will continue in business;

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Directors 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 the auditors are aware of that information.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution to re-appoint Grant Thornton UK LLP will be put to the members at the Annual General Meeting.

By order of the Board
Christopher Hill
Company Secretary

9 March 2017

Independent Auditor's Report to the members of Oxford Pharmascience Group Plc

We have audited the financial statements of Oxford Pharmascience Group plc for the year ended 31 December 2016 which comprise the group statement of comprehensive income, the group and parent company statements of changes in equity, the group and parent company statements of financial position, the group and parent company statements of cash flow, 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

As explained more fully in the Directors' Responsibilities Statement on page 10, 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 and express an opinion on 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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.

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD

9 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Revenues	4	796	749
Cost of sales		(596)	(591)
Gross Profit		200	158
Administrative expenses		(2,230)	(4,131)
Operating loss		(2,030)	(3,973)
Finance income	7	132	96
Loss before tax		(1,898)	(3,877)
Taxation	8	514	763
Loss for the year and total comprehensive income		(1,384)	(3,114)
Loss per share	9		
Basic on loss for the year (pence)		(0.11)	(0.28)
Diluted on loss for the year (pence)		(0.11)	(0.28)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Based Payments Reserve £'000	Revenue Deficit Reserve £'000	Total Equity £'000
At 1 January 2015	1,006	12,570	714	238	(7,208)	7,320
Comprehensive income	–	–	–	–	(3,114)	(3,114)
Transactions with owners						
Issue of shares	200	19,800	–	–	–	20,000
Expenses of share issue	–	(561)	–	–	–	(561)
Share based payments	–	–	–	140	–	140
Total transactions with owners	200	19,239	–	140	–	19,579
At 31 December 2015	1,206	31,809	714	378	(10,322)	23,785
Comprehensive income	–	–	–	–	(1,384)	(1,384)
Transactions with owners						
Share based payments	–	–	–	163	–	163
Total transactions with owners	–	–	–	163	–	163
At 31 December 2016	**1,206**	**31,809**	**714**	**541**	**(11,706)**	**22,564**

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	31 December 2016 £'000	31 December 2015 £'000
Assets			
Non-current assets			
Intangible assets	10	26	34
Property, plant and equipment	11	2	4
Total non-current assets		28	38
Current assets			
Inventories	12	14	9
Trade and other receivables	13	811	987
Short term investments and cash on deposit	14	5,000	10,000
Cash and cash equivalents	14	16,878	13,058
Total current assets		22,703	24,054
Total Assets		22,731	24,092
Liabilities			
Current liabilities			
Trade and other payables	15	(167)	(307)
Net Assets		22,564	23,785
Equity			
Share capital	16	1,206	1,206
Share premium		31,809	31,809
Merger reserve		714	714
Share based payment reserve		541	378
Revenue deficit reserve		(11,706)	(10,322)
Total Equity		22,564	23,785

Approved by the Board of Directors and authorised for issue on 9 March 2017.

Marcelo Bravo	Christopher Hill
Chief Executive Officer	Chief Financial Officer

Company number: 07036758

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Operating Activities			
Loss before tax		(1,898)	(3,877)
Adjustment for non-cash items:			
Amortisation of intangible assets	10	8	9
Depreciation of property, plant and equipment	11	2	1
Finance income	7	(132)	(96)
Share based payment		163	140
(Increase)/decrease in inventories		(5)	11
(Increase)/decrease in trade and other receivables		(130)	75
(Decrease)/increase in trade and other payables		(140)	15
Taxes received		820	539
Net cash outflow from operating activities		(1,312)	(3,183)
Cash Flows from Investing Activities			
Finance income	7	132	96
Sale/(Purchase) of short term investment		5,000	(10,000)
Net cash inflow/(outflow) from investing activities		5,132	(9,904)
Cash Flows from Financing Activities			
Proceeds from issue of share capital		–	20,000
Expense of issue of share capital		–	(561)
Net cash inflow from financing activities		–	19,439
Increase in cash and cash equivalents		3,820	6,352
Cash and cash equivalents at start of the year		13,058	6,706
Cash and cash equivalents at end of the year		16,878	13,058
Short term investments at end of the year		5,000	10,000
Cash, cash equivalents and deposits at end of the year		21,878	23,058

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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 2016 were authorised for issue by the Board of Directors on 9 March 2017 and the Statement of Financial Position was signed on the board's behalf by Marcelo Bravo and Christopher Hill.

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

The Company is a specialty pharmaceutical company re-developing medicines to make them better, safer and easier to take. The Company primarily engages in Research and Development activities based around its core technology platforms and seeks to commercialise the related products to pharmaceutical organisations.

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

2. ACCOUNTING POLICIES

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and IFRS interpretations as they apply to the financial statements of the Group for the year ended 31 December 2016 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, and remain unchanged from the previous years.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company's statement of comprehensive income. The Parent Company's result for the year ended 31 December 2016 was a loss of £1.9m (2015: loss of £3.6m).

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 Plc 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 2016.

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 reporting date. All differences are taken to the profit or loss.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at the reporting date the Group operated with only a single segment.

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.

The Group's income consists of sales of goods, licence fees, milestone and option payments.

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership.

Licence fees, option and milestone payments are recognised in full on the date that they are contractually receivable in those circumstances where:

- The amounts are not time related
- The amounts are not refundable
- The licensee has unrestricted rights to exploit the technology within the terms set by the licence
- The group has no further contractual duty to perform any future services

Notes to the Consolidated Financial Statements

2. ACCOUNTING POLICIES (CONTINUED)

Where such fees or receipts are dependent upon future performance or financial commitments on behalf of the group, the revenue is recognised pro rata to the services or commitments being performed. Funds received which have not been recognised as revenue are treated as deferred revenue and recognised in trade and other payables.

Interest income

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

Research and development

Research costs are charged to profit and loss as they are incurred. Certain development costs are capitalised as intangible assets when it is probable that the future economic benefits will flow to the Group. Such intangible assets are 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 profit or loss 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.

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 to profit or loss 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 (2015: nil).

Financial assets and liabilities

Financial assets and liabilities 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.

2. ACCOUNTING POLICIES (CONTINUED)

At the year end, the Group has Trade and other receivables and cash and cash equivalents held as loans and receivables and trade and other payables held as financial liabilities at amortised cost. The Group had no financial assets or liabilities designated as at fair value through the profit and loss, held-to-maturity investments or available-for-sale financial assets (2015: nil).

De-recognition 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 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 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 tax assets and liabilities are measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively 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 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 not probable.

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)

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 profit or loss 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 group makes an assessment of the asset's recoverable amount. Intangible assets not yet ready to use are subject to an annual impairment test.

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 profit or loss in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date in respect of the Group's assets, with the exception of goodwill, 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 profit or loss 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

Trade receivables, which generally have 30 to 90 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 profit or loss within administrative expenses.

When a trade receivable is uncollectable, it is written off through profit or loss.

Cash, cash equivalents and short term investments

Cash and cash equivalents comprise cash at hand and deposits with an original term of not greater than 3 months. Short-term investments comprise deposits with maturities of more than three months, but no greater than 12 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.

Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued on the acquisition of Oxford Pharmascience Limited to allow admission of the Group to the AIM market made by the issue of shares.

Share based payment reserve includes all current and prior period share-based employee remuneration expense.

Revenue reserve includes all current and prior period retained profits/(losses).

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 profit or loss, 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 issued but not yet effective

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 (and in some cases had not yet been endorsed by the EU):

Standard	Effective date accounting periods commencing on or after
IFRS 9 Financial Instruments	01-Jan-18
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01-Jan-19
Amendments to IAS 7: Disclosure Initiative	01-Jan-17
Clarifications to IFRS 15 Revenue from Contracts with Customers	01-Jan-17
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01-Jan-18

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.

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 reporting 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.

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

Provisions for irrecoverable receivables

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

4. SEGMENTAL INFORMATION

At 31 December 2016 the Group operated as one segment, being the development and commercialisation of drug products from proprietary technology platforms. This is the level at which operating results are reviewed by the chief operating decision maker (the CEO) to make decisions about resources, and for which financial information is available. All revenues have been generated from continuing operations and are from external customers.

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

Revenues	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Product sales		
UK	1	–
Middle East	51	25
Brazil	744	724
Total product sales	796	749
Total	796	749
Segment operating loss	(2,030)	(3,973)
Segment net assets	22,564	23,785

* 2016: 100% (2015: 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 2016 £'000	31 December 2015 £'000
Operating loss is stated after charging/(crediting):		
Amortisation of intangible assets (see note 10)	8	9
Depreciation on plant and equipment (see note 11)	2	1
Staff costs (see note 6)	857	998
Foreign exchange (gain)/loss	(177)	52
Research and development	1,028	2,503
Auditor's remuneration:		
Audit services		
Fees payable to company auditor for the audit of the parent and the consolidated accounts	15	15
Fees payable to company auditor for other services		
– Audit of the accounts of subsidiaries pursuant to legislation	10	10
Total auditor's remuneration	25	25

6. STAFF COSTS

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

Group	Number	Number
Administration and management	10	10

	31 December 2016 £'000	31 December 2015 £'000
Wages and salaries	608	752
Social security costs	67	88
Pension cost	19	18
Share based payments	163	140
	857	998

Details of directors' remuneration and the highest paid Director can be found in the directors' report. Key management personnel comprise only the Directors of the Company.

7. FINANCE INCOME

	31 December 2016 £'000	31 December 2015 £'000
Bank interest receivable	132	96

8. TAXATION

	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Current tax:		
UK corporation tax on losses for the year	–	–
Research and development tax credit receivable for the current year	(362)	(667)
Prior year adjustment in respect of research and development tax credit	(152)	(96)
Deferred tax:		
Origination and reversal of timing differences	–	–
Tax on loss on ordinary activities	(514)	(763)

	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
The tax assessed for the Year varies from the small company rate of corporation tax as explained below:		
Loss on ordinary activities before tax	(1,898)	(3,876)
Tax at the standard rate of corporation tax 20% (2015: 20.25%)	(380)	(785)
Effects of:		
Expenses not deductible for tax purposes	3	20
Other movements	–	2
Enhanced research and development relief	(145)	(259)
Share based payment relief	33	–
Prior year adjustments in respect of research and development tax credit	(152)	(96)
Tax losses carried forward	127	355
Tax charge for the year	(514)	(763)

The Group has accumulated losses available to carry forward against future trading profits of £6.7 million (2015: £6.6 million). 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 17% is £1.1m (2015: 20% is £1.3m).

At the Summer Budget 2015, the Government announced a reduction in the main rate of corporation tax to 19% from April 2017 and 18% from April 2020. At the Budget 2016, the Government announced a further reduction to the main rate of corporation tax from 2020, setting the rate at 17%.

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.

	31 December 2016 £'000	31 December 2015 £'000
Loss attributable to the equity holders of the parent	(1,384)	(3,114)
	No.	No.
Weighted average number of ordinary shares in issue during the year	1,205,661,619	1,109,361,109
Loss per share		
Basic on loss for the year	(0.11)	(0.28)
Diluted on loss for the year	(0.11)	(0.28)

The Company has issued employee options over 99,700,000 (2015: 95,200,000) ordinary shares which are potentially dilutive. There is, however, no dilutive effect of these issued options as there is a loss for each of the periods concerned.

10. INTANGIBLE ASSETS

	Patents and trademarks £'000	Development costs £'000	Total £'000
Cost			
At 31 December 2014	60	27	87
Additions	–	–	–
At 31 December 2015	60	27	87
Additions	–	–	–
At 31 December 2016	60	27	87
Amortisation			
At 31 December 2014	28	16	44
Charge for the year	5	4	9
At 31 December 2015	33	20	53
Charge for the year	5	3	8
At 31 December 2016	38	23	61
Net book value			
At 31 December 2016	22	4	26
At 31 December 2015	27	7	34
At 31 December 2014	32	11	43

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost			
At 31 December 2014	2	13	15
Additions	–	–	–
At 31 December 2015	2	13	15
Additions	–	–	–
At 31 December 2016	2	13	15
Depreciation			
At 31 December 2014	1	9	10
Charge for the year	–	1	1
At 31 December 2015	1	10	11
Charge for the year	–	2	2
At 31 December 2016	1	12	13
Net book value			
At 31 December 2016	1	1	2
At 31 December 2015	1	3	4
At 31 December 2014	1	4	5

12. INVENTORIES

	31 December 2016 £'000	31 December 2015 £'000
Raw materials and consumables	14	9

The inventory expensed to cost of sales during the year is £534k (2015: £591k) and there has been no write off of stock in the year (2015: nil). Manufacturing is outsourced to third party suppliers.

13. TRADE AND OTHER RECEIVABLES

	31 December 2016 £'000	31 December 2015 £'000
Trade receivables	343	179
Other receivables	58	65
Current tax receivable	362	667
Prepayments and accrued income	48	76
	811	987

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 due or impaired £'000	Past due but not impaired <60 days £'000	Past due but not impaired 30 to 60 days £'000
2016	343	74	267	2
2015	179	149	30	–

At the year ended 31 December 2016 there was no requirement for a provision for doubtful debts (2015: nil) and there were no movements in the year (2015: nil).

14. CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

	31 December 2016 £'000	31 December 2015 £'000
Cash at bank and in hand	11,878	8,058
Short-term investments with maturity dates less than three months	5,000	5,000
Total cash and cash equivalents	16,878	13,058
Short-term investments with maturity dates more than three months	5,000	10,000
Total cash, cash equivalents and short term investments	21,878	23,058

An analysis of cash, cash equivalents and short term investments by currency is provided in note 20.

15. TRADE AND OTHER PAYABLES

	31 December 2016 £'000	31 December 2015 £'000
Trade payables	91	167
Taxes and social security	22	39
Accruals	54	101
	167	307

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 Pharmascience Group Plc Ordinary shares of 0.1p each					
Total Ordinary shares of 0.1 p each as at 31 December 2012	730,869,952	731	3,758	714	5,203
Issued for cash 20 March 2013	166,666,667	167	4,833	–	5,000
Expense of issue	–	–	(30)	–	(30)
Issued for cash 5 November 2013	100,000,000	100	3,900	–	4,000
Expense of issue	–	–	(40)	–	(40)
Total Ordinary shares of 0.1 p each as at 31 December 2013	997,536,619	998	12,421	714	14,133
Share options exercised 17 April 2014	8,125,000	8	149	–	157
Total Ordinary shares of 0.1 p each as at 31 December 2014	1,005,661,619	1,006	12,570	714	14,290
Issued for cash 25 June 2015	42,915,000	43	4,249	–	4,292
Issued for cash 26 June 2015	157,085,000	157	15,551	–	15,708
Expense of issue	–	–	(561)	–	(561)
Total Ordinary shares of 0.1 p each as at 31 December 2015 and 2016	1,205,661,619	1,206	31,809	714	33,729

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.

Notes to the Consolidated Financial Statements

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. New options of 7,000,000 ordinary shares were granted in the year. The options granted in the current year have exercise prices of 4.63p (those granted in previous years 3.8p – 11.9p) 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)
Outstanding 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
Granted in the year	–	–
Outstanding at 31 December 2012	9,500,000	1.5
Granted in the year	5,000,000	2.7
Outstanding at 31 December 2013	14,500,000	1.9
Exercised in the year	(8,125,000)	(1.9)
Expired in the year	(4,375,000)	(2.2)
Granted in the year	77,000,000	4.0
Outstanding at 31 December 2014	79,000,000	3.9
Granted in the year	16,200,000	7.8
Outstanding at 31 December 2015	95,200,000	4.6
Granted in the year	7,000,000	4.6
Forfeited/lapsed in the year	(2,500,000)	4.6
Outstanding at 31 December 2016	99,700,000	4.6

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.

There were 15,733,333 (2015: 12,066,666) share options outstanding at 31 December 2016 which were eligible to be exercised. During the year ended 31 December 2016, no options were exercised (2015: nil) and 2,500,000 options lapsed (2015: nil). There are market based vesting conditions attached to 86,700,000 of the share options outstanding at 31 December 2016 (2015: 82,200,000).

17. SHARE BASED PAYMENTS (CONTINUED)

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 2015 and the year ended 31 December 2016, market conditions are assumed to be met during the vesting period:

	Granted year to 31 December 2016	Granted year to 31 December 2015
Dividend yield	–	–
Expected volatility	50%	50%
Risk free interest rate	0.5%	0.5%
Expected vesting life of options	1-3 years	1-3 years
Weighted average exercise price	4.58p	4.58p
Weighted average share price at date of grant	4.63p	7.80p

* 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 £163k for the year (year to 31 December 2015: £140k). The share based payment reserve at the year end is £541k (2015: £378k).

18. COMMITMENTS

Operating lease commitments

The Group has no commitments under non-cancellable operating lease agreements.

19. SUBSIDIARY COMPANIES

At 31 December 2016 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, liquidity risk and foreign currency risk. The Group's risk management programme 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:

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. Total equity was £22,564,000 at 31 December 2016 (2015: £23,785,000).

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.

Notes to the Consolidated Financial Statements

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

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

Liquidity risk

The Group's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages all of its external bank relationships centrally and in accordance with its treasury policies which include minimum acceptable credit ratings and maximum holdings limits. The Group seeks to limit the risk of banking failure losses by ensuring that it maintains relationships with a number of institutions.

At the reporting date, the Group was cash positive and had no outstanding borrowings.

Categorisation of financial instruments

	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
At 31 December 2016			
Trade and other receivables	402	–	402
Other short-term investments	5,000	–	5,000
Cash, cash equivalents	16,878	–	16,878
Trade and other payables	–	(91)	(91)
	22,280	(91)	22,189
At 31 December 2015			
Trade and other receivables	243	–	243
Other short-term investments	10,000	–	10,000
Cash and cash equivalents	13,058	–	13,058
Trade and other payables	–	(167)	(167)
	23,301	(167)	23,134

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.

Maturity profile

The Group's policy regarding liquidity risk is set out above. As all of the Group's financial assets and liabilities are expected to mature within the twelve months an aged analysis of financial assets and liabilities has not been presented.

Credit risk

The Group's principal financial assets are cash and short-term investments. 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.

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

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.

Interest rate risk

As the Group has no external financing facilities interest rate 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 short-term investment balances held as set out below:

	31 December 2016			31 December 2015		
	Fixed rate £'000	Floating rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Cash and cash equivalents	11,878	5,000	16,878	5,411	7,647	13,058
Other short-term investments	5,000	–	5,000	10,000	–	10,000

At 31 December 2016, the impact of a 10 per cent increase or decrease in interest rates would have decreased/increased loss for the year by £22k (2015: £23k) as a result of higher/lower interest received on floating rate cash deposits.

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than sterling (£). These are primarily made in Euros including sales to Brazil. Transactions in other currencies are limited.

A majority of the Group's sales are denominated in Euros. The Group purchases raw materials and certain associated services in Euros which partly offsets the Euro denominated revenue, thereby reducing net foreign exchange exposure.

The split of Group assets between Sterling and other currencies at the year-end is analysed as follows:

The Group	31 December 2016 GBP £'000	Eur £'000	Total £'000	31 December 2015 GBP £'000	Eur £'000	Total £'000
Trade and other receivables	468	343	811	807	180	987
Other short-term investments	5,000	–	5,000	10,000	–	10,000
Cash and cash equivalents	15,827	1,051	16,878	12,496	562	13,058
Trade and other payables	(120)	(47)	(167)	(268)	(39)	(307)
	21,175	1,347	22,522	23,035	703	23,738

Notes to the Consolidated Financial Statements

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

Sensitivity analysis to movements in exchange rates

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling against Euro exchange rate with all other variables held constant, on the Group's loss before tax (due to foreign exchange translation of monetary assets and liabilities) and the Group's equity.

Increase/(decrease) in GBP vs. Eur rate %	31 December 2016 GBP £'000	31 December 2015 GBP £'000
10%	(123)	(64)
5%	(64)	(33)
(5%)	71	37
(10%)	150	78

21. RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties:

The Group:

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

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 year ended 31 December 2016

	Share Capital £'000	Share Premium £'000	Share Based Payments Reserve £'000	Revenue Deficit Reserve £'000	Total Equity £'000
At 31 December 2014	1,006	12,570	238	(7,376)	6,438
Comprehensive income	–	–	–	(3,592)	(3,592)
Transactions with owners					
Issue of shares	200	19,800	–	–	20,000
Expense of share issue	–	(561)	–	–	(561)
Share based payment	–	–	140	–	140
Total transactions with owners	200	19,239	140	–	19,579
At 31 December 2015	1,206	31,809	378	(10,968)	22,425
Comprehensive income	–	–	–	(1,858)	(1,858)
Transactions with owners					
Share based payment	–	–	163	–	163
Total transactions with owners	–	–	163	–	163
At 31 December 2016	1,206	31,809	541	(12,826)	20,730

Company Statement of Financial Position

As at 31 December 2016

	Notes	31 December 2016 £'000	31 December 2015 £'000
Assets			
Non-current assets			
Investments		363	363
Total non-current assets		363	363
Current assets			
Trade and other receivables	C4	50	82
Short term investments		5,000	10,000
Cash and cash equivalents		15,356	12,086
Total current assets		20,406	22,168
Total Assets		20,769	22,531
Liabilities			
Current liabilities			
Trade and other payables	C5	(39)	(106)
		(39)	(106)
Net Assets		20,730	22,425
Equity			
Share capital		1,206	1,206
Share premium		31,809	31,809
Share based payment reserve		541	378
Revenue deficit reserve		(12,826)	(10,968)
Total Equity		20,730	22,425

Approved by the Board of Directors and authorised for issue on 9 March 2017.

Marcelo Bravo
Director

Christopher Hill
Director

Company number: 07036758

Oxford Pharmascience Group Plc (the Parent Company) made a loss of £1.9m for the year ended 31 December 2016 (2015: loss of £3.6m).

Company Statement of Cash Flows

For the year ended 31 December 2016

	Notes	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Operating Activities			
Loss before interest and tax		(1,858)	(3,592)
Adjustment for non- cash items:			
Share based payment		163	140
Decrease/(increase) in trade and other receivables		32	(72)
Decrease/(increase) in trade and other payables		(67)	81
Net cash outflow from operations		(1,730)	(3,443)
Investing Activities			
Proceeds from issue of share capital		–	20,000
Expense of issue of share capital		–	(561)
Sale/(Purchase) of short-term investment		5,000	(10,000)
Net cash inflow from financing activities		5,000	9,439
Increase in cash and cash equivalents		3,270	5,996
Cash and cash equivalents at start of the year		12,086	6,090
Cash and cash equivalents at the end of the year		15,356	12,086
Short-term investments at end of the year		5,000	10,000
Cash, cash equivalents and deposits at the end of the year		20,356	22,086

Notes to the Company Information

For the year ended 31 December 2016

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 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 year ended 31 December 2016 was a loss of £1.9m (2015: loss of £3.6m).

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.

Investment in subsidiary	£'000
Cost at 31 December 2014, 2015 and 2016	1,115
Balance of impairment at 31 December 2015 and 2016	(752)
Net book value at 31 December 2014, 2015 and 2016	363

* 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.

During the current year an impairment review of the investment in subsidiary was undertaken. No impairment (2015: nil) has been made to investments in subsidiary undertakings in 2016. The recoverable value equates to the fair value of the assets held in the subsidiary company (net of intercompany balances) less costs to sell. A provision of £1.5m (2015: £3.1m) was charged to the income statement to reduce intercompany receivable balances to their recoverable value.

C4. Trade and other receivables

	31 December 2016 £'000	31 December 2015 £'000
Trade receivables	3	–
Other receivables	7	10
Prepayments	40	72
	50	82

C5. Trade and other payables

	31 December 2016 £'000	31 December 2015 £'000
Trade payables	–	20
Social security and other taxes	12	12
Accruals	27	74
	39	106

C6. Risk management of financial assets and liabilities

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

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The capital structure consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity. Total equity was £20,730,000 at 31 December 2016 (2015: £22,425,000).

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

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

Liquidity risk

The Company's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages all of its external bank relationships centrally and in accordance with its treasury policies which include minimum acceptable credit ratings and maximum holdings limits. The Company seeks to limit the risk of banking failure losses by ensuring that it maintains relationships with a number of institutions.

At the reporting date, the Company was cash positive and had no outstanding borrowings.

Categorisation of financial instruments

	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
At 31 December 2016			
Trade and other receivables	7	–	7
Other short-term investments	5,000	–	5,000
Cash and cash equivalents	15,356	–	15,356
Trade and other payables	–	–	–
	20,363	–	20,363
At 31 December 2015			
Trade and other receivables	10	–	10
Other short-term investments	10,000	–	10,000
Cash and cash equivalents	12,086	–	12,086
Trade and other payables	–	(21)	(21)
	22,096	(21)	22,075

Notes to the Company Information

The Company had no financial instruments measured at fair value through profit and loss or available for sale.

The main risks arising from the Company'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 Company's principal financial assets are cash and cash equivalents. The Company 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.

Interest rate risk

As the Company has no external financing facilities therefore 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 Company is the result of interest-bearing cash and cash equivalent balances held as set out below:

	31 December 2016			31 December 2015		
	Fixed rate £'000	Floating rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Cash and cash equivalents	10,356	5,000	15,356	5,000	7,086	12,086
Other short-term investments	5,000	–	5,000	10000	–	10,000

At 31 December 2016, the impact of a 10 per cent. increase or decrease in interest rates would have decreased/increased loss for the year by £22k (2015: £23k) as a result of higher/lower interest received on floating rate cash deposits.

Maturity profile

The Company's policy regarding liquidity risk is set out above. As all of the Company's financial assets and liabilities are expected to mature within the twelve months an aged analysis of financial assets and liabilities has not been presented.

C7. Related Party Transactions

Transactions with Key Management Personnel

The Company's key management personnel comprise only the Directors of the Company.

During the year the Company entered into the following transactions in which the Directors had an interest:

Directors' remuneration:

Details of the Directors' remuneration can be found in the Directors' Report.

Notice of Annual General Meeting

OXFORD PHARMASCIENCE GROUP PLC

(Incorporated in England and Wales with registered number 07036758)

NOTICE OF 2017 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting of Oxford Pharmascience Group Plc ("the Company") will be held at the offices of Fladgate LLP, Ninth Floor, 16 Great Queen Street, London, WC2B 5DG on 19 June 2017 at 10 a.m. to consider and, if thought fit, transact the following business, of which resolutions 1 to 5 (inclusive) will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution:

ORDINARY BUSINESS

Report and accounts

1. To receive and adopt the Strategic report, the Directors' Report, the Audited Statement of Accounts and Auditors' Report for the year ended 31 December 2016.

Re-election of directors

2. To re-elect Marcelo Bravo as a director of the Company, who retires by rotation pursuant to the Articles of Association of the Company

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

Re-appointment of auditors

4. To re-appoint Grant Thornton UK LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which the accounts are laid before the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

Allotment of shares

5. THAT the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights"), in substitution for all previous powers granted to them (but without prejudice to the continuing power of the Directors to allot shares in the Company and to grant Rights pursuant to an offer or agreement made by the Company before the date this resolution is passed) up to:

   (a) a maximum aggregate nominal amount of £401,887.21 (being approximately one third of the issued share capital as at 9 March 2017); and

   (b) in addition to the amount referred to in (a) above, up to a maximum aggregate nominal amount of £401,887.21 (being approximately one third of the issued share capital as at 9 March 2017) in connection with a rights issue in favour of holders of ordinary shares of 0.1 pence each in the capital of the Company ("Ordinary Shares") where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

Notice of Annual General Meeting

provided that this authority shall, unless previously renewed, varied or revoked, expire on the earlier of the conclusion of the next following Annual General Meeting of the Company and 30 June 2018 except that the Company may before such expiry make an offer or agreement which would or might require equity securities (within the meaning of section 560 of the Act) to be allotted in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Disapplication of pre-emption rights

6. THAT, subject to resolution 5 above being passed, the Directors be and they are hereby empowered pursuant to section 570 of the Act in substitution for all such powers previously given (but without prejudice to the continuing power of the Directors to allot equity securities pursuant to an offer or agreement made by the Company before the date this resolution is passed) to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority for the purposes of section 551 of the Act conferred by resolution 6, as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to:

   (a) in connection with an offer of such securities by way of a rights issue or other pro rata offer to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

   (b) otherwise than pursuant to sub-paragraph (a) above, the allotment of equity securities up to an aggregate nominal amount of £90,424.62 (being approximately 7.5% of the issued share capital as at 9 March 2017),

   provided that this power shall, unless previously renewed, varied or revoked, expire on the earlier of the conclusion of the next following Annual General Meeting of the Company and 30 June 2018 except that the Company may before such expiry make an offer or agreement which would or might require equity securities (within the meaning of section 560 of the Act) to be allotted in pursuance of such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board

Christopher Hill
Company Secretary

9 March 2017

Registered office:
2 Royal College Street
London
NW1 0NH

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:

   - 10 a.m. on 15 June 2017; or
   - if this Meeting is adjourned, at 10 a.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. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form provided and submit all such forms to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA.

5. 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

6. 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 Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA; and
   - received by Neville Registrars no later than 10 a.m. on 15 June 2017.

   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

7. 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

8. 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 Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA. 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

9. 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 Neville Registrars no later than 10 a.m. on 15 June 2017. 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

10. As at 6 p.m. on 9 March 2017, the Company's issued share capital comprised 1,205,661,619 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 6 p.m. on 9 March 2017 is 1,205,661,619. The Company has no treasury shares.

Directors' transactions and service contracts

11. 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.

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

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