Oxford Cannabinoid Technologies

Annual Report

for the period ended 31 May 2021

About Oxford Cannabinoid Technologies

Established in 2017, OCT aims to become a global leader in developing licensed prescription medicines that target the endocannabinoid system to address significant unmet medical needs.

Our goal is to become a global leader in the development of safe and effective prescription medicines to treat serious and life-threatening human diseases and conditions. OCT's primary focus is on the drug development for indications in severe, chronic pain conditions, that are one of the biggest challenges facing society today.

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Highlights

Successful IPO

Admission to the Official List (by way of a Standard Listing) and to trading on the London Stock Exchange's Main Market on 21 May 2021

Raising £16.5m (gross) of new equity capital to help finance the development of the business

Good progress across all four of the Group's drug research programmes

Agreements signed with key partners for lead compound OCT461201 as well as the Group's drug-device/phytocannabinoid combination

Acquisition of the key medical assets from Canopy Growth Corporation

Providing the Group with an exclusive worldwide licence to their entire cannabinoid derivative library, including 335 derivatives – more than quadrupling the size of the Group's existing proprietary library

Accelerating timelines to clinical trials for drug research programmes 3 and 4 and expansion of drug development pipeline

OTC QB admission now anticipated for December 2021

Providing US investors with a simple and familiar way to trade OCTP shares

Chairman's Statement

For the period ended 31 May 2021

Neil Mahapatra
Executive Chairman

I am delighted to present my first Annual Statement as Chairman of Oxford Cannabinoid Technologies Holdings Plc ('OCTP' or the 'Group' or the 'Company') and to welcome all shareholders to the Company following its successful IPO via admission to the Official List (by way of a Standard Listing) and to trading on the Main Market of the London Stock Exchange ("Admission") in May of this year. We raised £16.5m of new equity capital on flotation to help finance the development of the business. We have made significant progress across all four of the Company's drug research programmes. In particular, important advances have been made on our two lead programs, with agreements signed with key partners for our lead compound OCT461201 and also our drug-device/phytocannabinoid combination, our second lead programme.

The agreements signed across all of our drug programmes reflect the Company's core ethos: to partner with organisations recognised as "best-in-class" that can drive quality and shareholder value. In a cannabis market where, unlicensed medicines remain abundant and unproven, our underlying philosophy remains unchanged: that it is only the development of cannabinoid-based medicines through existing channels of licensed drug development that allows the medical community to prescribe drugs with confidence and in volume. The agreements with Aptuit (Verona) SRL, a subsidiary of Evotec SE (together 'Evotec'), and Voisin Consulting SARL ('Voisin') are consistent with this, ensuring that our drugs will be manufactured to the highest standards, and our recent acquisition of the key medical assets from Canopy Growth Corporation ('Canopy') cements our status as a key player in the market for cannabinoid-based medicines.

In August 2021, we announced our intention to seek admission for our shares to be traded on the US OTC QB exchange – an exciting initiative that will provide the business with exposure to a wider audience of investors by easing trading for qualified US individuals. We expect trading to start by December 2021 and hope that this will drive liquidity in the stock and help to diversify the Company's shareholder base.

People

I am immensely proud to be working with an exceptional team, led by the accomplished Dr John Lucas. Their appetite for challenge never ceases to impress me and together with the Company's Board, all stakeholders in the business remain utterly committed to fulfilling our mission of improving lives with the development of prescription cannabinoids.

Outlook

With the positive animal results from our neuropathic pain model confirming the efficacy of OCT461201, the operational outlook for the business is extremely positive: we are now less than a year away from starting two clinical trials and can also look to expand the indications we are targeting. Our financial results are similarly positive and confirm that the Company remains well-capitalised and is well-placed to meet the timelines to commercialisation set out in our IPO prospectus. The fundamentals of OCTP are strong and we remain on track to create shareholder value on time and within budget. We are confident that OCTP will become a global leader in this field – it is a privilege to have our shareholders on the journey with us.

Neil Mahapatra
Executive Chairman

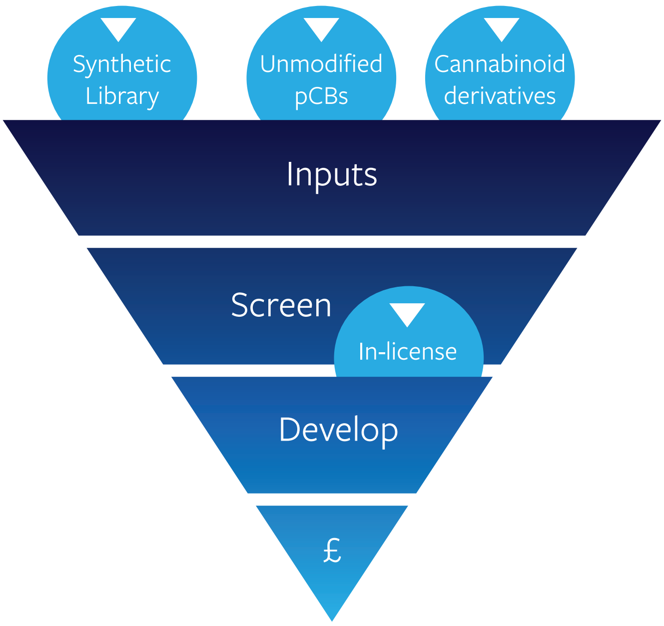
12 October 2021

Chief Executive Officer's Review

For the period ended 31 May 2021

Dr John Lucas
Chief Executive Officer

We fast track our drug development programs because pain waits for no-one.



Our Business Model

OCTP, the holding company of Oxford Cannabinoid Technologies Ltd ('OCT' and together, the 'Group'), is a pre-revenue pharmaceutical company focused on the development of cannabinoid-based prescription medicines to target indications in the £42.5bn global pain market.

Ever since its incorporation in 2017, the Group has combined innovation with technical expertise to develop a "fast-track" drug development strategy. This approach lowers both developmental risk and costs and shortens the timeframe to commercialisation without compromising on the crucial safety and efficacy testing required for regulatory approval.

On 21 May 2021 the Group successfully listed on the London Stock Exchange raising £16.5m (£14.8m net of costs) to help finance the Group's four concurrent drug development programmes. Since admission to trading, the net proceeds from the accompanying share placing have been utilised in line with the Group's strategy, as set out in the IPO Prospectus and remain on budget with regard to cash burn and timelines.

At the period-end, the Group had cash reserves of approximately £14.6 million including a Government Bounce-Back loan of £50,000 which we expect to repay early. Changes to the composition of the Board as the Company transitioned to being a listed company, included the appointment of two independent Non-Executive Directors and a Finance Director which has increased administrative costs during the period. Strict cash management controls are in operation across all areas of expenditure, whereby all budgeted costs have been reviewed with measures agreed to reduce these wherever possible, in order to maximise the Group's financial resources available for its drug development programmes.

We aim to develop a portfolio of drug candidates for approval as licensed pain medicines, with full commercialisation of our first prescription cannabinoid product currently anticipated to be in 2027. The combined experience and expertise of the Group's Board and senior management team has enabled the Company to build a cannabinoid pharmaceutical company with a robust pipeline of drug candidates and a growing network of commercial and academic partners.

Our drug development strategy includes the development of novel chemical entities ('NCEs'), proprietary cannabinoid derivatives and phytocannabinoids (plant-based cannabinoids). The NCEs are normally identified using high-throughput screening of

Chief Executive Officer's Review continue

Our four current drug development programmes comprise:

Programme 1: OCT461201

OCT461201 is a non-psychotropic, highly potent and selective CB2 agonist that is being developed as a solid oral dose form (pill or capsule). The compound was in-licensed under an agreement with Japanese pharmaceutical company AskAt in September 2019, creating a shorter development time to value inflection compared to drug candidates from the Group's internally generated cannabinoid derivative library.

In early July 2021, we selected Evotec SE, a drug discovery and development company, to carry out the preclinical development activities for OCT461201. OCT461201 has since entered Evotec's INDiGO programme, an integrated drug development process for accelerating early drug candidates to clinical trial stage. The INDiGO programme will provide the comprehensive manufacturing, safety, and toxicology packages necessary for regulatory submission to the UK Medicines & Healthcare products Regulatory Agency ("MHRA") and the US Food and Drug Administration ("FDA"). We believe the INDiGO programme will increase development speed and optimise the chances of successfully progressing OCT461201 through clinical phases in a timely manner.

OCT461201 is currently in the early stages of manufacturing, which includes process familiarisation and manufacture of intermediates. Evotec have already successfully modified the original manufacturing protocol by eliminating one synthetic step which will result in optimising compound synthesis, reducing development costs, and, potentially, accelerating timelines. The compound has also entered a crystallization optimisation process aimed at further reducing costs and improving production of the drug substance.

Pre-clinical development of OCT461201 is expected to take approximately 12 months. We aim to enter Phase 1 clinical trials in Q3 2022. OCT461201 is being developed for neuropathic pain and visceral pain conditions, with the potential for use in neurodegenerative and inflammatory diseases.

Programme 2: Phytocannabinoid Drug Candidate

We are also developing phytocannabinoids ('pCBs') for the effective, safe, and non-addictive treatment of chronic and severe pain conditions, initially targeting Trigeminal Neuralgia ('TN'). Programme 2 is a combination of pCBs that is delivered via inhalation, an alternative route of administration that bypasses issues associated with oral delivery of cannabinoids (e.g., onset time, poor bioavailability and high first-pass metabolism). The advantages of pulmonary delivery include lower doses and faster onset. A fast onset is particularly important for indications where the pain is sudden and severe, such as TN which presents as excruciating, stabbing, electric shock-like pain. A patient may experience up to 100 attacks per day, with a constant throbbing, aching or burning sensation between attacks. The low-dosage administration is aimed at achieving a therapeutic effect while controlling side effects and managing the risk of abuse. The programme employs a simple pressurized metered dose inhaler ('pMDI') to deliver the pCBs to the lungs. pMDIs have a long history of use, takes in into account the human factor to optimise compliance, and has a straightforward regulatory pathway. Doctors and patients alike are familiar with the device and this, together with an easy to carry and easy to use design, is expected to facilitate uptake and compliance.

OCT recently entered into a supply agreement with Purisys LLC, that enables the Group to secure pharmaceutical grade cannabinoids as active pharmaceutical ingredients ('APIs') for the current preclinical drug development and for the future clinical and commercial supplies for programme 2.

In addition, OCTP has entered a commercial agreement with Oz-UK Ltd (Corsham, UK), for the development of a cannabinoid metered dose inhaler formulation for programme 2, which will include studies aimed at the identification and definition of the excipient/formulation components, as well as the selection of the canister, valve, and actuator. The selected formulation and device is being designed to deliver high-purity cannabinoids through the inhalation route which will allow faster and more efficient absorption of the APIs with the aim of both short and long-term relief from neuralgias, including TN.

Programme 2 is in pre-clinical development which is expected to take approximately 12 months. We expect to begin Phase 1 clinical trials in Q3 2022.

Programme 3: Cannabinoid Library Drug Candidate

On Admission, the Group held a library of 92 proprietary cannabinoid derivatives. Preliminary data from a selection of derivatives suggested that this library contains compounds that could become candidate drug assets for a range of pain indications. On 21 September 2021, OCT signed an exclusive license agreement with Canopy Growth Corporation ('Canopy') for their entire cannabinoid derivative library, including 335 synthesized derivatives of cannabinoids (CBD), tetrahydrocannibinols ('THC') and cannabigerol ('CBG'), intellectual property rights including 14 patent families and associated research data. The Canopy compounds more than quadruple the size of the Group's proprietary library. The plan for programme 3 is to screen compounds from the combined library in a translational pain model. The aim is to develop a compound that is positive in this model up to the pre-clinical stage during 2023.

Programme 4: Novel Cannabinoid Mimetic Drug Candidate

We plan to expand our pipeline with a first in class drug candidate targeting an undisclosed receptor. Initially, we planned to partner with a leading contract research organisation to high throughput screen a large library of diverse compounds. Compounds that interact with the receptor are then improved through an iterative series of steps using medicinal chemistry and experimental assays to improve drug-like properties. This plan has been revised with the addition of the focused Canopy library. The revised plan will start with a subset of the Canopy library that we believe have a good chance of demonstrating activity based on their chemical structure. Rather than start with a large number of compounds in an empirical approach, we are starting with a smaller, focused number of compounds with a higher probability of being active. Our aim is to develop a compound to the lead candidate stage by mid-2023.

The above four development programmes remain in line with the agreed timescales to commercialisation as set out in the IPO prospectus. We are well-funded to complete the development plan set out in the IPO prospectus, as revised to incorporate the Canopy library. Cash controls are in place, and we are working to timetable. More detail on the financial performance can be found in the Financial Review.

pharmaceutical compound libraries. This approach enables the discovery of drug candidates that are highly selective and potent for a single cannabinoid receptor. Our lead product, OCT461201, is an example of an NCE identified using this approach. Another is to use a phytocannabinoid structure, such as CBD, as a starting basis for creating cannabinoid derivatives. The chemical modifications made to the cannabinoid derivatives are aimed at improving drug-like properties while retaining the safety of the parent phytocannabinoid. Both NCEs and cannabinoid derivatives may be patentable, thereby providing long-term market exclusivity to an approved drug product. Phytocannabinoids are natural, unmodified compounds. As such, they are generally not patentable. Nevertheless, regulatory market exclusivity is available for these compounds if approved as drug products. This regulatory exclusivity can be extended from 5 to 7 years in the United States if the indication has orphan designation. Regulatory exclusivity in Europe is 10 years. This market exclusivity is not available to unlicensed medical cannabis. In addition, OCT also in-licenses compounds falling into one of the three categories above. By utilising these different inputs, we are creating a portfolio that balances long-term market value, time to market and risk.

Expanding Capabilities

The Group is continually expanding its capabilities by engaging with world-class providers of products and services in the pharmaceutical drug development industry.

In September 2021, OCT entered into an agreement with Oxford StemTech Ltd ('Stemtech.), led by Professor Cader of the University of Oxford, to provide innovative support to our programmes, including programmes 3, 4 and beyond. StemTech provides an *in vitro* model of human pain, which we call "pain-in-a-dish" to support both compound screening and mechanistic studies. This collaboration will allow OCT to use pluripotent stem cells to obtain human primary neurons which can "fire" neuronal impulses mimicking pain, measured by a revolutionary multielectrode array technology ('MEA'). We will be able to study our compounds (in neurons) with or without the presence of the cells of the immune system which are also involved in the pathology of pain.

Managing the Impact of COVID-19

In the past eighteen months, the COVID-19 pandemic has impacted the Group's efforts in different areas. For example, the work in the laboratories of our collaborators have been severely delayed by successive lockdowns and the completion of this annual report also suffered a short delay due to COVID-19 in the finance team. In addition, the disruptions in goods and people movements, as well as local restriction in employees' movement, are causing worldwide delays in some of the activities performed by contract research organisations ('CROs') on behalf of many companies, including their abilities to sign large contractual agreements. As a result, key activities have been and may be delayed by backlogs or by sudden increases in demand. To mitigate the risks for our lead programme (OCT461201), rather than engaging in multiple CROs to perform different parallel activities, we decided to sign a single commercial agreement with one top-tier CRO (Evotec). This agreement will help ensure the right degree of prioritisation for the Group's activities, but crucially also system, expertise and workforce resource redundancies, which, together with the transfer of responsibilities for remedy to one single CRO, should - in the Board's view - minimise delays and downsides.

With the collaboration of our regulatory consultant Voisin Consulting SARL ('VCLS'), the Group has started defining the regulatory roadmap and the clinical development plan. The risk and gap analysis highlighted areas which, in line with expectations, will be addressed by our non-clinical development plan, e.g., in the fully integrated developmental INDiGO platform with Evotec. The exercise has also defined strategies to accelerate our regulatory path taking advantage of the new tools available both in the UK and in the US to expedite the development of NCEs, particularly when targeting unmet medical needs. These platform (EAMS, ILAP, Innovation Passport in the UK; FTD in the US), together with our clinical paths and synopses, will be discussed with the regulators during the scientific advisory meetings to be held in 2022.

Establishing a Scientific Advisory Board

To better define the clinical trial design and ensure compliance of non-clinical activities within the frame of the route to clinic, the Group has evaluated a list of potential medical experts to support our efforts in an advisory capacity. We are selecting individuals who have extensive experience in designing clinical trials and, crucially, clinical trial evaluation and outcome analysis. We expect to start engaging experts as we move into 2022. The highly regarded physicians and scientists we are considering have led global clinical trials in the field of neuropathic pain and neuralgias, helping to define the gold standard of patient selection and the very definition of the different pathologies. Importantly, in keeping with our company ethos of serving the patients' best interest, all these experts have a prominent role in the interaction of their scientific institutions with the Patient Advocacy ('PA') groups.

Building Relationships with Patient Advocacy Groups

The Directors have the strong belief that no one is in a better position to understand the unmet medical needs of people suffering from pain than the patients themselves. PA groups have the in-depth knowledge of the patients they represent and of their disorders. Accordingly, they are in the prime position of supporting the Group's clinical effort not only in identifying better ways to include the experience of patients in the design of the trials but in the identification and interpretation of outcome measurements, and actively participating in the recruitment of patients. For these reasons, we have already started contacting relevant PA groups supporting individuals suffering from neuropathic pain and neuralgias.

Financial Risk Management

Research activities are carried out through commercial and academic partners in an outsourced model that allows the Group to minimise central costs. Wider discussions are ongoing with other academic and commercial partners about additional future activities. Further details of the Group's Financial Risk Management are detailed in note 22.

Outlook

The Group has made a positive start to the current financial year, where, during the first three months, approximately £1.65 million of R&D costs have been incurred across the four development programmes, primarily on the Group's lead drug candidate OCT461201, which accounted for £0.78 million of the total.

Since the period-end, the £2.6 million agreement being delivered by international CRO Evotec, for an integrated drug development solution for accelerating early drug candidates into clinic, will facilitate the completion of the characterisation of OCT461201 by leveraging the well-proven, multi-modality, and technologically innovative platform and confirm its developability in terms of API (active pharmaceutical ingredient), manufacturing, clinical formulation and safety and toxicological profile. At the end of the programme, Evotec will provide the Company with a submission-ready regulatory document which will be used for submissions to regulatory agencies, as well as drug-batch approved and ready for First Time in Human clinical trials. The planning phase has been completed and laboratory experimental activities" initiated as per proposed timelines.

In addition, in order to fast-track the interaction with the regulatory agencies, the Group has signed agreements and work-packages with regulatory consultancy firm Voisin Consulting SARL ("VCLS"), a consulting team with more than 200 professionals in the UK, Europe, US and India, with expertise in medical devices, cannabinoids, neurological disorders and addiction, in order to provide important input in the Group's path-to-clinic strategy across the different target markets for both programme 1 (OCT4612021) and programme 2 (inhaled pCBs drug-device combination).

We are delighted to have successfully listed and raised funds to further our journey to commercialisation. The dedication and focus of our experienced team are highlighted by the strong progress made – especially post period end – further enhancing our development opportunities, relationships and standing within the sector.

We believe that our management team, pipeline of drug candidates and network of partners combined with the significant growth opportunity put us on an extremely strong footing. Given the progress made since the period end, we expect a busy remainder of the current financial year, as we progress towards preclinical trials.

Dr John Lucas
Chief Executive Officer

12 October 2021

Principal Risks and Uncertainties

The Group identifies, evaluates and manages the principal risks to the Group strategy in accordance with the corporate governance framework set out in the Corporate Governance Report. A bottom-up assessment of principal risks by the Senior Management Team is aggregated and validated to produce an overall assessment of those risks.

We evaluate each principal risk at least twice per year based on the probability of the risk crystalising and the potential impact on the Group level. We consider both the inherent risk (i.e. level of risk before internal controls) and the residual risk (i.e. the remaining risk after the effect of existing controls is considered). Based on that assessment, we then determine whether any further actions are required to reduce the risk to within the risk appetite approved by the Board.

The Board is responsible for the overall stewardship of our system of risk management. The Board has completed its assessment of the Group's principal and emerging risks and concludes that the current risk profile is within its tolerance range.

Below are our principal risks, a summary of key controls and mitigating factors:

Risk	Relevance to our Strategy	Mitigation
Unsuccessful or Delayed Development		
In common with other pre-revenue pharmaceutical development companies, there is a risk that OCT fails to develop a drug product that can be approved by the regulatory agencies and marketed. Failure can occur at any time during the research and development process, including preclinical and clinical development. For example, the Group's future clinical trial results may not be successful.	**Impact** Any delays in the completion of, or termination of, any phase in development, particularly preclinical development and clinical trials of its drug candidates, risks harming the commercial prospects of the drug candidates and the Group's ability to generate product revenues will be delayed. The failure to develop an approved drug product could ultimately lead to the cessation of the business. **Likelihood** Problems, expenses, difficulties, complications and delays are frequently encountered in connection with developing and expanding early-stage businesses, especially biopharmaceutical companies. There is a high rate of failure amongst these companies for drug candidates proceeding through clinical trials.	• OCT are running multiple programmes across several value inflection points. • An experienced Chief Science Officer is engaged by the Group, and we work with leading specialists in the field to complete testing and screening on our behalf. • Contracts with our research partners are drafted to minimise the impact to the Group of any unforeseen delays in the screening and testing process. • A Science Advisory Board is planned and will be formed by leading specialists in their field to oversee the clinical development plan. • There are strong communication channels with the regulatory bodies with early engagement prior to moving to clinical trials.
Cash Flow and Cash Resources		
Drug development is a capital intense activity, and whilst the recent IPO raised sufficient capital for approximately the next two years of development, inadequate cash controls and / or a lack of well-timed subsequent funding round to further progress the four development programmes is a key risk to the business.	**Impact** The scale and speed of the on-going development programmes would be significantly hampered if there was a delay in future additional funding, threatening the on-going viability of the business. **Likelihood** The Admission on the Official List and commencement of trading on London Stock Exchange in May 2021 was over-subscribed and the pharma sector remains buoyant with several successful listings and acquisitions by pharma companies operating in the cannabinoid market.	• There is strong, proactive and effective engagement with shareholders and potential future investors. • An internal control framework is in place, with scrutiny and independent challenge from the Non-Executive Directors as outlined in the Corporate Governance Report. • Financial forecasting is closely monitored by the Board and independent scrutiny ensures best value is obtained in selecting development partners.

Principal Risks and Uncertainties continued

Risk	Relevance to our Strategy	Mitigation
Quality Assurance		
The Group rely on third parties, including CROs, to perform clinical trials in a satisfactory manner. There is a risk that the quality of this research is below the required standard for the results to be relied on as part of the Group's applications to the regulatory agencies for their drugs to be licensed.	**Impact** If CROs fail to comply with applicable current good clinical practices ("cGCPs"), the clinical data generated in OCT's clinical trials may be deemed unreliable and the regulatory authorities may require the Group to perform additional clinical trials before approving marketing applications, causing significant delays to commercialisation and requiring significantly greater expenditures. **Likelihood** cGCPs are the industry standard that CROs work to in order to maintain their reputation and standing in the market. CROs have in-house quality assurance processes to make the likelihood of any failure of quality standards extremely low.	• Only experienced partners with a successful track record in performing clinical trials to the right cGCPs are used to assist the Group in its development programmes. • Quality assurance processes are operated by the Chief Science Officer ("CSO") over the work performed by CROs. • There is early engagement by the CSO with the regulatory authorities to confirm the required cGCPs. • Contractual obligations and penalties for the quality of services are agreed at the outset of each business relationship with partners.
Legal Claims		
Claims, with or without merit, may be brought against the Group in relation to its clinical trials and/or the products it develops, for example products or trials allegedly causing injury or illness, or alleging that the Group is infringing, misappropriating, or otherwise violating their intellectual property rights; thereby generating the risk of negative publicity and enforcement action, including civil and criminal penalties.	**Impact** Any claims of patent infringement would be time-consuming to resolve and may result in costly litigation; diverting the time and attention of the Group's team, and preventing commercialisation of the product until the patent expires or is held finally invalid or not infringed in a court of law. It could also require the Group to cease or modify its use of the technology and/or develop non-infringing technology; and/or require the Group to enter into royalty or licensing agreements. Costs involved in dealing with such a claim (regardless of its success) could be substantial, negatively impacting the financial resources available for further drug product development. Similarly, negative publicity may materially adversely impact the Group's reputation, leading to a loss of confidence by shareholders and other stakeholders. **Likelihood** Legal proceedings are inherently unpredictable hence the high level of mitigating controls that are in place.	• Insurance cover is in place and will be enhanced as the programmes progress through clinical trial stages. • Quality assurance framework is in place and will be enhanced through the establishment of a Science Advisory Board. • All proposed contracts with the Group's development partners are rigorously checked for safeguards against potential intellectual property and other common issues in the drug development sector.

Risk	Relevance to our Strategy	Mitigation
Key Staff Dependency		
The Group is comprised of a small management team, with the scientific and legal specialists critical in leading the drug development programmes and maintaining its licences. It may be difficult to find experienced and suitable personnel to fill these key positions. Any growth in the business may place a significant strain on the Group's management. If competition intensifies between the Group and other market players in the pharmaceutical industry, the Group may not be able to retain its key scientific and management personnel on conditions that are economically acceptable.	**Impact** The loss of one or more key employees would have material adverse consequences for the business operations, prospects and financial stability, impeding the achievements of its research and development objectives. **Likelihood** All organisations experience staff turnover and there can be no absolute guarantee that the Group will be able to retain its key scientific and management personnel.	• Key staff have a 6-month notice period. • Share option schemes are operated to help to retain key staff, and the overall reward and recognition packages are competitive within the sector.
Unlicensed Medical Cannabis		
The widespread acceptance of, and demand for, unlicensed medical cannabis may negatively impact demand for licensed prescription medicines, i.e., the sector that the Group is targeting. There is a risk that the Group fails to counter any misconceptions among medical industry stakeholders and the public that unlicensed medical cannabis can have the same therapeutic benefits as drug products developed by OCT.	**Impact** A negative impact on demand for the Group's drug products could have an adverse effect on the Group's business, financial condition and results of operations. **Likelihood** It is likely that continuing media coverage will focus on the unlicensed medical cannabis market.	• Engagement with patient advocacy groups is underway. • There is strong, proactive and effective engagement with shareholders and potential future investors, with a key element of the PR strategy being to educate our stakeholders on how the Group differentiates itself from the unlicensed medical cannabis market. • Physicians remain reluctant to prescribe unapproved medicines, regardless of whether they have been more widely accepted by the public at large. There is no reason to expect this approach will change in the short to medium term. • Insurers (in the United States) will generally not currently reimburse medical cannabis prescriptions and remain unlikely to do so unless or until the legal position changes at a federal level.
Reputational Damage		
Imperial Brands Ventures Limited ("Imperial Brands") is a major shareholder (10.87%). Public sentiment on tobacco companies holding pharmaceutical shares is broadly negative.	**Impact** Having Imperial Brands (or any other tobacco company on the shareholder register may have a detrimental impact on the Group's reputation and may limit OCT's optionality to pursue research with academic institutions, or other groups who object to tobacco funding. **Likelihood** The media may identify Imperial Brands as being an investor, but they have investments across many industries.	• There is anecdotal evidence to suggest that some shareholders appreciate the presence of Imperial Brands as a cornerstone investor, which is seen as a vote of confidence by a FTSE 100 business.

Culture, Values and Ethics

We are passionate about our mission to improve lives using cannabinoids and know that our people are the key to unlocking success. We encourage and celebrate diversity and have established an open and collaborative culture that allows great people to do what they do best. Our values, listed below, were created by our people, for our people.

Respect	• We treat each other with dignity • We demonstrate high regard for everyone – each other, our stakeholders and the wider community • We ensure our company is a safe space, where we can take risks and be vulnerable
Integrity	• We do the right thing, even when no one is watching • We are reliable – we get things done on time without compromising quality • We keep our promises • If something has gone wrong, we put our hands up and work together to resolve it
Collaboration	• We believe we're better together • We are generous with our time, care and expertise • We are happy to help each other • We learn from our mistakes
Fairness	• Our company is free of discrimination and dishonesty • We value authenticity – we are real • We look out for each other's health and wellbeing • We listen and evolve together
Excellence	• We pay attention to the details, and strive to get things right the first time • We own our contributions and celebrate our successes • We care deeply about our company's mission

Culture, Values and Ethics continue

Animal Care and Welfare

Our purpose is to research, develop and manufacture innovative pharmaceutical products. Due to scientific and regulatory requirements, animal studies remain a small but crucial part of our work to deliver safe and efficacious therapies, which benefit patients' health and wellbeing.

The Group is actively engaging with partners, which develop and validate experimental methods that can provide alternatives to the use of animals in research. However, even though the Group, its scientific and business partners, and affiliates are eagerly adopting cutting-edge technology and coordinating efforts with legislators, regulators, and scientific institutions to completely eliminate the need for animal studies in their work, at present this is not possible, either due to lack of suitable alternatives, or because animal studies are required by regulatory authorities.

The Group ensures that any collaborator follows international and local legislation and regulatory guidelines and does not perform procedures which are deemed unethical or illegal under The Animal Welfare Act 2006. The Group also enforces a voluntary ban on the testing on great apes (i.e., chimpanzees) in research, even in countries where it is legal to do so.

We recognise the ethical responsibility to treat all animals respectfully, while striving to minimise their pain or distress, and to avoid it completely when possible. To this end, the Group is committed to following the high standards of internationally recognised practices on the humane treatment of animals. We uphold and embrace the "3Rs" of animal research, namely the:

- replacement of animals when possible and/or acceptable;
- reduction of the numbers of experiments and of animals required by each experiment; and
- minimisation of pain and distress, by means of refinement of animal studies procedures.

All animals used in the Group's studies are specifically bred for research. In addition, all facilities where animals are bred, housed, or undergo procedures are accredited by the Association for Assessment and Accreditation of Laboratory Animal Care (i.e., AAALAC-accredited) or are in the process of first accreditation and undergo regular visits by AAALAC. This ensures that all animal staff are competent, trained, continuously educated and assessed. The Group ensures that qualified veterinarians are available at all times for advice and help in the care of animals.

At OCT and OCTP, we do not work with or test cosmetics, food, or drink supplements.

Environmental Considerations

We aim to support the Government's net-zero carbon targets by:

- using renewable energy sources wherever possible (which as an establishing business, the Group consumed total energy of below 40,000 kWh annually in both the current and prior period);
- opting for the most environmentally friendly mode of transport wherever practical, when travel by our team is absolutely necessary;
- adopting energy efficient and low carbon technologies where practical; and
- developing and executing an environmental, social and governance ("ESG") strategy for the newly formed Group.

Dr John Lucas
Chief Executive Officer

12 October 2021

Financial Review

For the period ended 31 May 2021

Finance Strategy

We aim to support, and help expedite wherever possible, the business plans to develop and commercialise our leading drug candidates by maintaining strong financial controls over all areas of expenditure and investment, identifying and managing financial risks to within risk appetite and cost-effectively maximising the funds available for direct investment in the drug programmes.

The comparatives are unaudited and are proforma figures. The Group reconstruction is reflected in the Group comparatives and represents the consolidated figures of Oxford Cannabinoid Technologies Ltd and its subsidiary OCT Hellas Pharmaceuticals Research & Development Laboratory S.A.

Financial Performance

Research costs (excluding any salary costs) reduced by 45% on the prior year as funds were diminished ahead of the Group's Admission to the Official List and to trading on the London Stock Exchange in May 2021 in conjunction with a £16.5m fundraising in order to fund the next stages of the drug programmes.

The loss for the year was £3,227,986 (2020: £2,126,217). Basic and diluted loss per share was 0.504p (2020: 0.337p).

Administrative costs increased by 10% to £1,518,596 (2020: £1,382,330), and there were exceptional costs of £1,381,949 (2020: £136,534) incurred relating to the Admission (£360,473 – where total costs incurred were £1,683,007 with the balance of £1,322,534 being set off against the share premium account) and associated costs of share-option schemes and warrants issued to employees and advisers (£1,021,476) for the Admission process. The Group benefited from an R&D tax credit in 2021 of £138,651 (2020: £225,726), with tax losses surrendered for the R&D tax credit payment.

The Group is not exposed to any significant interest rate or foreign exchange risks and therefore it does not require any formal hedging policies to be in place.

Acquisition and Subsidiaries

The acquisition of OCTP by OCT in May 2021 has been accounted for as a group reconstruction on a similar basis to a reverse acquisition as detailed in note 24. On 9 June 2021, the dormant Greek subsidiary (OCT Hellas Pharmaceuticals Research & Development Laboratory S.A) was formally dissolved.

Assets

The Group has presented the leased head office building as a right-of-use asset in accordance with IFRS 16 with depreciation of £110,189 (2020: £53,362) and interest expense of £4,258 (2020: £7,202). The closing net book value (NBV) is £10,565 (2020: £87,667) with a lease liability of £123,885 (2020: £107,324). In respect of a licence agreement, held as an intangible asset, amortisation of £39,042 (2020: £14,546) was recognised in the period with a closing NBV of £101,657 (2020: £140,699). The Group also holds £46,826 NBV (2020: £62,091) of property, plant and equipment.

In January 2021 the Group obtained a government-backed £50,000 Bounce-Back Loan with a 2.5% interest rate and a 72 month term, with the first repayments due in February 2022. The Group intend to repay this loan in full by December 2021. In March 2021 the Group raised £600,000 from a Convertible Loan Note Instrument which, pursuant to the Share Exchange Agreement, was converted to ordinary shares prior to Admission on 21 May 2021. Gross proceeds of £16.5m (net: £14.8m) were raised from the fundraising on Admission and the Group finished the period with cash funds of £14,630,801 (2020: £309,152).

Trade and Other Payables

Trade payables of £500,390 (2020: £490,658) form the major part of current liabilities and primarily relate to outstanding fees for the IPO in May 2021. Accruals of £192,953 (2020: £38,495) also largely relate to professional services.

Key Performance Indicators

The Group has three core KPI's:

KPI	2021 Outcome
Non-financial Delivery of milestones detailed in the IPO prospectus for the four core programmes	The timescales set out for all four programmes remain on target, with revenue generation expected to be achieved in 2027.
Financial Cash runway (i.e. the length of time that the cash balance will last given the current cash burn rate)	Following the £16.5m raised in May 2021, the Group has a cash runway until Q3 of financial year ending 2023, which is consistent with that detailed in the IPO prospectus.
Financial *Current ratio* (*i.e.* the ability of the Group to meet its liabilities due within 12 months with its current assets) is calculated by dividing current assets by current liabilities	The Group ended the period with a current ratio of 15.8 (2020: 1.5), largely supported by a £14.6m cash balance.

In addition to these three key performance indicators monitored by the Board, wider financial information is reviewed to ensure the most important and relevant aspects of the Group's performance are measured and communicated, including research expenditure and funds raised.

Karen Lowe

Finance Director

12 October 2021

Section 172(1) Statement

The directors are required to include a separate statement in the annual report that explains how they have had regard to wider stakeholder needs when performing their duty under Section 172(1) of the Companies Act 2006. This duty requires that a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the:

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with consultants, research partners, suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The Board recognise that their primary role is the representation and promotion of shareholders' interests. The Board makes every effort to understand the interests and expectations of the Group's shareholders and other stakeholders, and to reflect these in the choices it makes in its effort to create long-term sustainable value. Governed by the Companies Act 2006, the Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") as set out on page 14. The Board recognises the importance of maintaining a good level of corporate governance, which, together with the requirements of a main market listing, ensures that the interests of the Company's stakeholders are safeguarded.

One key decision made by the Board during the period ended 31 May 2021 was to admit the Company to the Official List (by means of a Standard Listing) and to commence trading on the London Stock Exchange in order to raise the required finances to progress with the ambitious strategy outlined in the CEO's Review. This strategy seeks to take the company to revenue generation by 2027, with the net proceeds of £14.8m from the main market listing contributing significantly to the advancement of that strategy.

Our employees are one of the critical assets of the business. The Group is passionate abouts its mission to improve lives using cannabinoids and knows its people are key to unlocking success. We encourage and celebrate diversity (with half of the Board members female, and 55% of the total workforce female). The Group has established an open and collaborative culture that allows great people to do what they do best. An experienced and highly skilled team has been formed, balancing deep technical and sector knowledge with experience brought from wider fields. In addition to annual pay and benefit reviews, a bonus scheme and share option scheme are in place to attract and retain the very best candidates. As detailed on page 22, a Remuneration Committee oversees and makes recommendations of executive remuneration and option awards, and more recently a Nominations Committee has also been established.

The Board values the strategic partnerships that it forms with "best-in-class" organisations that can drive quality and shareholder value as they work towards the delivery of the Group's strategy and goals. The University of Oxford was the first strategic partnership when OCT was established in 2017. Since then, agreements have been signed with international organisations who are amongst the leaders in their field. Following the period end, two further key partnerships have been established with Evotec and Canopy supporting the delivery of the lead drug candidate OCT461201 and programme 3 as detailed in the CEO's review.

Underpinning all of these key areas are the Group's values of respect, integrity, collaboration, fairness and excellence. These values form the foundation of all actions and decisions across the Group and whilst created by our people, for our people, they also form the basis of our successful relationships with all of our highly valued stakeholders.

Corporate Governance Report

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance, a fundamental of the Group's culture and business values. The Directors recognise the importance of sound corporate governance being commensurate with the size and nature of the Company and the interests of its shareholders. The Corporate Governance Report forms part of the Directors' Report.

The Group have elected to adopt and are committed to following the Quoted Company Alliance (QCA) Corporate Governance Code (the "Code"). Details of the Group's compliance with the Code are set out below:

1	**Establish a strategy and business model which promote long-term value for shareholders**	As outlined in the CEO's review, the Group aims to develop a portfolio of drug candidates for approval as licensed medicines, with the commercialisation of its first drug currently anticipated to be in 2027. The Group's drug development strategy includes the development of proprietary cannabinoid derivatives, phytocannabinoids and novel chemical entities. Further details of the strategy and progress made in the period are outlined in the Chairman's Statement and CEO's review. The principal risks of delivering the strategy, and how they are managed, are detailed in the CEO's Review. The strategy is revisited at least bi-annually with regular reporting to the Board on its progress. Through the CEO, the Executive Directors have responsibility for the execution of the strategy approved by the Board. The Chief Operating Officer ('COO') is responsible for reporting on operational activities, performance and risk management at Board meetings.
2	**Seek to understand and meet shareholder needs and expectations**	The Board is accountable to shareholders for the long-term performance and success of the Group, having as its primary role the representation and promotion of shareholders' interests. The Executive Chair and CEO regularly meet with shareholders and brokers to discuss the Group's performance in delivering its strategy. The Non-Executive Directors are also available to meet with shareholders, together with the COO and Finance Director. The feedback from those meetings is invaluable in helping to shape the future of the business.
3	**Take into account wider stakeholder and social responsibilities and their implications for long-term success**	The Board recognises its primary responsibility under UK corporate law is to promote the success of the Group for the benefit of its members as a whole. Our small team of staff are key to the business and regular meetings are held to ensure that all staff are aware of the direction of the business, results and any key matters. With such a small team, communication is frequent and often informal. Our research partners are critical to the success of the business, and regular communication is maintained with them throughout the year, both on current performance and also future requirements and direction of the four core programmes. We are at the early stages of planning the Group's engagement with PA groups which will be critical as the programmes advance through to clinical trials. The Board also understands that it has a responsibility to consider, wherever practical, the social, environmental and economic impact of its approach.
4	**Embed effective risk management, considering both opportunities and threats, throughout the organisation**	Risk management is a core part of the business, with the activities of the Group subject to a number of risks (as set out in the CEO's Review). If any of these risks were to materialise there could be a materially adverse effect to the Group's business, financial condition and the results of future operations. The Board of Directors is responsible for, and regularly reviews, the main risks that the Group is currently exposed to and any potential future risks that need to be considered. The discharge of this responsibility is intended to occur through an ongoing systematic review of the risk management framework, including the operational effectiveness of internal controls and procedures, designed to identify, manage and monitor all areas involving material risks to the Group. The Group takes external advice from its advisers on any significant matters. Each Board meeting includes an agenda item on risk and consideration is given to whether any new risks have been identified.

5 Maintain the board as a well-functioning, balanced team led by the Chair	The Board is responsible for the Group's objectives and business strategy and its overall supervision. To fulfil these responsibilities the Group has a team of highly skilled and experienced Board members, with four of the eight members being Non-Executive Directors, two of whom are considered to be 'independent' (using the definition set out in the UK Corporate Governance Code'). There is a formal schedule of matters reserved specifically for the Board's decisions, relating to strategy, finance, risk, operations and governance. Certain functions are delegated by the Board to two sub-committees (an Audit and a Remunerations Committee), with the terms of reference for a Nominations Committee agreed post year-end. Whilst neither the Audit nor the Remuneration Committee had met by the period end, both have formal terms of reference approved by the Board. Both sub-committees are chaired by an independent Non-Executive Director and other Board members may attend these meetings by invitation. The Executive Chair leads the Board, while the Chief Executive Officer is charged with managing the Group's business. As expected for a newly listed entity, the Board have met frequently and will meet at least four times per year. During the period five Board meetings were held, with all Board members being present at each meeting. The Board reviews operational and financial performance regularly. Divergences from expected performance are followed up promptly and rigorously. Monthly management accounts are prepared and distributed to members of the Board.
6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Directors collectively have extensive experience and a proven track record in the areas of pharmaceuticals, biotechnology, corporate finance and business growth and development, and are well-placed to implement the Group's business objectives and strategy. Full biographical details of the Directors are detailed on pages 16 to 19 and are detailed on the website. The Board considers itself sufficiently diverse when considering the background, knowledge and experience that each individual brings to the Board. Any appointments to the Board are made after due consideration to the Group's requirements, with appointments made solely on merit. Directors are encouraged to keep their skills up to date by attending appropriate courses or by being members of other boards where new skills and ideas can be learned. The Board also keep under review the strength and depth of its senior management.
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The newly formed Board will undertake regular monitoring of personal and corporate performance using agreed key performance indicators and detailed financial reports. The strength and depth of its senior management is also kept under review. Internal evaluations of the Board are planned on a two-year basis with the first evaluation expected to be completed in the financial year ending 31 May 2022. An independent evaluation, as recommended by the UK Corporate Governance Code, on an annual basis is envisaged as the Group progresses through its strategy towards commercialisation.
8 Promote a corporate culture that is based on ethical values and behaviours	The Board set the tone for the Group's ethical values of respect, integrity, collaboration, fairness and excellence, further details on which can be found on page 10. Our highly valued stakeholders are located across the globe and the Group is mindful that respect of individual cultures is critical to corporate success. The Board has an anti-slavery and human trafficking policy, as well as an anti-bribery policy and has implemented adequate procedures described by the UK Bribery Act 2010. Controls are operated to prevent the facilitation of tax evasion. The Group is aware of its responsibilities under the General Data Protection Regulation and has implemented appropriate policies, procedures and safeguards to ensure it is compliant.
9 Maintain governance structures and processes that re fit for purpose and support good decision-making by the Board	The Board sets the Group's strategic aims and ensures that necessary resources are in place for the Group to meet its objectives. All members of the Board take collective responsibility for the performance of the Group and all decisions are taken in the interest of the Group. The Chair leads the Board, and the CEO manages the Group's business, two very distinct roles. The CEO is supported by a COO who also performs the General Counsel and Company Secretary roles, and the Finance Director. Both the Chair and Finance Director work part-time (three and one day per week respectively). There are two sub-committees supporting the Board to fulfil their responsibilities, an Audit and a Remuneration Committee with further details of their remit shown on pages 20 and 22. The terms of reference for a Nominations Committee were agreed after the period end. Weekly management meetings are held and are attended by the Executive Directors as well as the Chief Science Officer and Finance Manager.
10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Board recognises its primary role of representing and promoting the interests of the Group's shareholders. The Board is accountable to shareholders for the long-term performance and success of the Group. The Chair, CEO and COO offer regular meetings with shareholders and brokers to review the Group's progress in delivering its ambitious strategy and performance. The Chair and CEO are actively engaged in speaking to potential shareholders and ensuring that there is regular communication to the shareholders and wider stakeholders with material information about the Group's progress. Details of RNS announcements and copies of annual reports can be found on our website www.oxcantech.com. Social media is also used to provide regular updates to our stakeholders.

The Management Report as required by the Disclosure and Transparency Rules of the Financial Conduct Authority is covered by the preceding Strategic and Corporate Governance Reports.

Board of Directors

Board Composition

The composition and size of the Board is considered by the Board to be well-balanced and diverse, with a good mix of international skills, experience, background, independence and knowledge. During the period, four of the eight Board members were non-executive directors, two of which are considered to be independent. With half the Board members being female, the Group exceeds the Hampton-Alexander review target for 33% female representation on FTSE 350 Boards by 2020.

The Board members are as follows:

Neil Mahapatra

Executive Chairman (devoting 33% of his working time to the Group)

age 41

Neil is a Co-founder of OCT, having conceptualised the business and directly hired the other Executive Directors. He has nearly two decades of experience in business and the investment industry. He began his career in investment banking at Morgan Stanley International plc, in healthcare corporate finance and UK equity capital markets before becoming a private equity executive at J. Rothschild Capital Management Limited, where he led private investments for the family office of Lord Rothschild and RIT Capital Partners plc.

In 2013, Neil founded London-based multi-family private investment firm Kingsley Capital Partners LLP ('KCP'), where he is Managing Partner. Neil currently is a non-executive director for a number of companies, including telecoms businesses Atlas Tower Group Limited and Spring Fibre Limited, and consumer businesses McQueens Flowers Limited and Equinox International Holdings Limited. When at J. Rothschild Capital Management Limited, Neil was a non-executive director of UK data centre company Infinity SDC Limited and a UK subsidiary of African telecom towers firm Helios Towers Plc, now listed on the Official List.

Neil is a known and respected leader in the European cannabis industry. Through KCP, Neil sponsored and launched the End our Pain campaign, a prominent campaign that was instrumental in effecting the UK government reforms to medical cannabis legislation in 2018.

Neil holds a BA in Biological Sciences from the University of Oxford, where he was President of the Oxford Union, and an MBA from the Harvard Business School, where he was a Fulbright Scholar. Before starting his undergraduate degree at the University of Oxford, Neil spent a year performing genetic research at Cold Spring Harbor Laboratory, New York, where he was chosen by Professor James D Watson, Nobel Laureate for elucidating the structure of DNA.

Dr. John Lucas

Chief Executive Officer

age 55

John brings over 20 years of experience in the pharmaceutical industry. After joining the Group in May 2018, he took on the role of Chief Commercial Officer in August 2018, becoming Chief Executive Officer in January 2021.

John began his career in biopharma at Genset S.A. (Paris) and Genset Corporation (San Diego, California) where he served as Vice President, Worldwide Intellectual Property. He also held the position of Vice President, Intellectual Property at Transform Pharmaceuticals Inc. of Lexington Massachusetts, a company specialising in small molecule drug form and formulation and at Metabasis Therapeutics Inc., a biopharmaceutical company in California. John moved to the United Kingdom at the end of 2007 as General Counsel and Vice President of Intellectual Property at Silence Therapeutics plc where he was responsible for a wide range of legal and business matters and played a key role in the corporate transaction with Intradigm Corporation.

John became Chief Executive Officer of Cizzle Biotechnology Limited, a company developing diagnostic tests for the detection of lung cancer. Other roles include Head of Patents, Biosimilars, at Boehringer Ingelheim Pharma GmbH & Co. KG, Head of New Product Development at Venture Life Group plc, and Vice President, Intellectual Property at Ilika plc.

John holds a law degree (JD) from George Washington University and a PhD in molecular genetics from The Ohio State University. He also holds a Master's in microbiology and a Bachelor of Education from Ohio University. In addition to his graduate studies, other experience includes a post-doctoral fellowship in cancer research at the National Cancer Institute, National Institutes of Health in Bethesda, Maryland and working as a patent examiner with the United States Patent and Trademark Office.

Clarissa Sowemimo-Coker

Chief Operating Officer and General Counsel

age 41

Clarissa has worked for many years as a solicitor and commercial consultant to companies in the retail, telecoms, and pharmaceutical sectors. Following an early career with Penningtons Manches Cooper LLP in London, where she spent time seconded to a range of clients including London Underground Limited and All Saints Retail Limited, she held posts as senior in-house counsel in established corporations including Hutchison 3G UK Limited (Three) and Virgin Media Limited, a subsidiary of Liberty Global plc.

Clarissa joined the Group's executive team in December 2018 as General Counsel and Company Secretary, with ultimate responsibility for all legal aspects of the business as well as compliance and regulation, diversity and inclusion, people, culture and communications. In February 2021 she became Chief Operating Officer and is now also responsible for the operational side of the Group in addition to inputting on the Company's strategic goals. Clarissa is a qualified solicitor in England and Wales and is a student member of ICSA, The Chartered Governance Institute where she is studying for an advanced certificate in corporate governance.

Clarissa is also a management coach and regularly delivers compliance training and management coaching to blue chip clients including Google LLC, Biogen Inc. and McDonald's Corporation across the EMEA and APAC regions.

Clarissa holds a BA in philosophy and literature from Warwick University and PGDL and LPC from BBP Law School in London. After completing her undergraduate degree, Clarissa spent two years working as a project manager in the residential construction industry before retraining as a solicitor. She was selected as a 2021 mentor by Legal Geek, which connects mentors and mentees across the legal industry, with a particular focus on supporting underrepresented groups. She is also an elected member of the Parochial Church Council of St John the Evangelist, Notting Hill.

Karen Lowe

Finance Director (devoting 20% of her working time to the Group)

age 51

Karen started her career in accountancy, qualifying as a chartered accountant with KPMG before moving into industry. She has over 25 years' experience in both the private and public sector, advising organisations on operational controls and financial risk management. She has worked internationally for the majority of her career at firms including Johnson & Johnson and DHL International GmbH. Whilst at Mazars LLP, she was the outsourced Head of Internal Audit for several listed companies as well as providing advisory services on risk management.

Karen is an Accredited Counter Fraud Specialist and has been a member of the Association of Certified Fraud Examiners for the last 22 years. In 2000, Karen re-joined KPMG in the forensic accounting division, specialising in fraud risk management and investigation for UK and global firms. For the past six years, she has been at International Personal Finance plc where she was responsible for the global risk management of financial crime, legal compliance, information security and business continuity.

Karen sits on the board of a housing development company, and also on the audit committee of a northwest housing association. She runs her own risk management consultancy firm and is training to become an executive coach. She holds a BA in European Finance and Accounting from Leeds Beckett University, and a similar German qualification from the Hochschule Bremen in north Germany.

Board of Directors continued

Gavin Sathianathan

Non-Executive Director

age 43

Gavin is a co-founder of OCT and widely recognised as a leader in the European cannabis industry. He began his career in management consulting at Bain & Company Holdings Limited, spending four years in London before moving to Delhi as part of the founding team of Bain's India operation. Gavin then pursued a career in the technology industry, where he was part of the early team at Facebook UK Ltd, driving adoption of the Facebook platform with the start-up ecosystem and building the Facebook profit and loss through relationships with some of the largest advertisers in the world. Gavin has also held senior executive roles at Endemol Shine Group Limited where he was Director of Business Development and Tesco Plc, where he was a managing director focused on data and digital media.

In 2018, Gavin founded Alta Flora Ltd, a digital health platform focused on novel therapeutics including medical cannabis where he is currently the CEO. The company has developed a series of digital tools to capture data on the consumption of medicines and the resulting changes in symptomatology. He has been an advisor to the All-Party Parliamentary Group on Medical Cannabis; regularly works with institutional investors on the evolution of the cannabis market and is an adviser to multiple FTSE 100 consumer packaged goods companies. Gavin is also a co-founder and non-executive director of Product Earth Expo UK Ltd, a sustainability focused hemp brand.

He holds a MEng in Chemical Engineering from Imperial College and an MBA from Harvard Business School where he was a Sainsbury Management Fellow.

Bishrut Mukherjee

Non-Executive Director

age 34

Bishrut was a Corporate Development Manager at Imperial Brands plc during the period. He has a wide range of experience within operational delivery, mergers and acquisitions and investment analysis, principally across regulated industries including those of manufacturing, energy and fast-moving consumer goods.

Prior to joining Imperial Brands plc, Bishrut was a portfolio manager at VAR Capital Limited, a multi-family office with over £500 million of assets under management. Bishrut trained as a chartered engineer at BP Plc including holding multiple operational delivery roles across BP's global assets.

Bishrut holds a Master's in Chemical Engineering from Imperial College London, where he was awarded a BP scholarship and an MBA from the London Business School, where he was the recipient of a scholarship funded by the Gatsby Foundation.

Cheryl Dhillon

Non-Executive Director and Remuneration Committee Chair

age 63

Cheryl is a senior executive with extensive experience in a variety of sectors and demonstrable achievements in business strategy and profit and loss account optimisation in start-up, growth phase and major transformations. The last 29 years have been focused on pharmaceuticals in companies including Ares Serono Group, Elan Corporation Plc, Lorantis Ltd and a tenure of over 15 years with Otsuka Pharmaceutical Europe Ltd; part of the Otsuka family of companies.

Through her long career Cheryl has proven expertise in finance, procurement, IT, supply chain, quality, business development, corporate governance and alliance management; using these varied skills to maximise business value.

Cheryl has a keen interest in the development of people and to this end has trained as an executive coach with the University of Strathclyde. Cheryl is a fellow of the Association of Chartered Certified Accountants and holds an MBA from the University of Hertfordshire.

Julie Pomeroy

Non-Executive Director and Audit Committee Chair

age 66

Julie is an experienced finance director of quoted and private companies. Julie graduated with an honours degree in physics from Birmingham University and is a chartered accountant and chartered director. She also holds tax and treasury qualifications. Julie is currently a Non-Executive Director at Dillistone Group Plc, an AIM quoted software business, and was group finance director and company secretary until September 2021 having joined in April 2010. She was finance director of AIM quoted Biofutures International plc until July 2010 having joined in 2006.

Julie was Group Finance Director of Carter & Carter Group plc until October 2005, having joined in 2002 to help grow and float the business. She was previously Chief Financial Officer of Weston Medical Group plc and was instrumental in its flotation in 2000. Prior to this, Julie worked at East Midlands Electricity plc as director of corporate finance. She also spent over 12 years as a non-executive director of Nottingham University Hospitals NHS Trust and Nottinghamshire Healthcare NHS Trust. She is currently also an IOD ambassador for Derbyshire and Nottinghamshire region.

Audit Committee Report

The Audit Committee is responsible for monitoring and challenging the quality of internal controls and ensuring that the financial performance of the Group is properly managed, risk-assessed and reported on. It receives and reviews reports from the Group's management and external auditor relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The Audit Committee is comprised of two independent Non-Executive Directors (Julie Pomeroy (Chair) and Cheryl Dhillon) with key attendees including the Finance Director (Karen Lowe), external auditor and other Executive Directors as and when required.

The Audit Committee meets a minimum of twice in each financial year and has unrestricted access to the Group's external auditor. The Audit Committee is able to instruct independent reviews on specific areas of focus to provide any additional assurance that the Committee require. The Audit Committee did not hold its first meeting until post period-end with the Group having been created and listed ten days prior to the period end. There was full attendance at that meeting by members, where the audit scoping report was considered together with risk management arrangements.

The main duties of the Committee are set out in the terms of reference, which are available on the Group's website (www.oxcantech.com). These include the following:

Internal control and risk assessment

The Audit Committee review legal compliance and the adequacy of the Group's financial reporting and internal financial control policies and procedures for the identification, assessment and reporting of risks; making from time-to-time appropriate recommendations to the Board. The Audit Committee also considers the major findings or internal investigations.

Internal audit and review of third-party service providers

The Group does not currently have an internal audit function. The decision of whether or not to set up an internal audit function will be considered annually by the Board, on the recommendation of the Audit Committee, and will be based on the growth of the Group, the scale, diversity and complexity of the Group's activities and the number of employees, as well as cost/benefit considerations.

External audit

The Audit Committee considers and makes recommendations to the Board, to be put to shareholders for approval at each annual general meeting of the Company, as regards the appointment and re-appointment of the Company's external auditor, as well as any questions relating to their resignation or removal, or any questions relating to the remuneration and terms of engagement of the external Auditor, and shall ensure that key partners within the appointed firm are rotated from time-to-time. The Audit Committee oversees the selection process for a new auditor and if an auditor resigns, the Audit Committee investigates the issues leading to this and decides whether any action is required. The Audit Committee oversees the relationship with the external auditor including the approval of remuneration and terms of engagement, and assessing annually the external auditor's independence, objectivity, and the effectiveness of the audit process.

Financial statements

The Audit Committee, in discussion with the auditors, monitors the integrity of the financial statements of the Group, including its annual and interim reports, preliminary results' announcements/or statements and any other formal announcement/statement relating to its financial performance, reviewing significant financial reporting issue and judgements which they contain. The Audit Committee keeps under review the consistency of accounting policies and practices both on a year-to-year basis and across the Group.

The Audit Committee reviews and challenges, where necessary, the Group's financial statements before submission to the Board, and reviews arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangement are in place for the proportionate and independent investigation of such matters with appropriate follow-up action.

Reporting responsibilities

The Audit Committee, or the Audit Committee Chairman, meets formally with the Board at least once a year (and more frequently if necessary) to discuss such matters as the annual report and the relationship with the external auditor.

Other matters

The Audit Committee oversees any investigation of activities, which are within its terms of reference, and acts as a court of the last resort. The Audit Committee ensures that a periodic evaluation of the committee's performance is carried out, and considers such other matters as the Board may from time-to-time refer to it.

Nominations Committee Report

The terms of reference for a new, third Committee were agreed post period-end, with members yet to be appointed.

Membership will consist of not fewer than four members, at least two of whom will be independent Non-Executive Directors selected by the Board and will also include the Chief Executive Officer and the Chair of the Company, with membership reviewed by the Board on an annual basis. The Chair of the committee will be an independent Non-Executive Director, with all appointments being for a period of up to three years.

The Committee will meet at least once a year and at such other times as may be necessary. The Committee shall assist the Board in the process of selection and appointment of any new director, as and when required, and shall recommend to the Board the appointment of any new director.

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee is comprised of two independent Non-Executive Directors (Julie Pomeroy (Chair) and Cheryl Dhillon).

The Remuneration Committee reviews the remuneration policy and the performance of the Executive Directors, making recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any executive, non-executive or employee share option scheme or equity incentive plans in operation from time to time.

The Remuneration Committee meets a minimum of twice per year. In exercising this role, the Directors have regard to the recommendations put forward by the QCA Guidelines and, where appropriate, the Corporate Governance Code guidelines.

At the invitation of the Committee Chair, Executive Directors may attend the proceedings. Two of the Committee members are free from personal financial interests (other than as shareholders). The Committee has access to professional advice from internal and external advisers where relevant.

Service Contracts

The Board's policy is that service contracts of Executive Directors are not fixed term and should provide for termination by the Group on six months' notice. The service contracts of each of the current Executive Directors provide for such a period of notice. The independent Non-Executive Directors have letters of appointment providing fixed three-year service periods, which may be terminated by giving six months' notice. Directors in post during the period are as follows:

			Date Appointed to OCTP	Date Appointed to OCT	Date Resigned from OCT
Executive Directors					
Chair	Neil Mahapatra	Director	4 February 2021	10 March 2017	–
CEO (CCO until January 2021)	Dr John Lucas	Director	23 April 2021	–	–
COO and General Counsel	Clarissa Sowemimo-Coker	Director & Secretary	4 February 2021	25 June 2019	–
Finance Director	Karen Lowe	Director	23 April 2021	–	–
Non-Executive Directors					
	Julie Pomeroy	Director	23 April 2021	–	–
	Cheryl Dhillon	Director	23 April 2021	–	–
	Bishrut Mukherjee	Director	23 April 2021	26 February 2020	–
	Gavin Sathianathan	Director	23 April 2021	21 June 2018	–

Non-Executive Directors' Remuneration Policy

The fees for the Non-Executive Directors are determined by the Board, with the Non-Executive Directors excluded from any discussions or decisions about their own remuneration. The Non-Executive Directors do not receive bonuses or pension contributions and are not entitled to participate in any of the Group's share schemes other than the options granted on flotation.

A total of 7,203,117 share options were granted at a strike price of £0.065 to three Non-Executive Directors in May 2021. Reasonable expenses incurred in carrying out their duties as Directors of the Group are reimbursed.

Executive Directors' Remuneration Policy

The remuneration package of the Executive Directors (including the Executive Chairman) includes the following elements:

- **Basic salary**

Salaries are normally reviewed annually, and take into account inflation, market conditions and salaries paid to directors of comparable companies. Pay reviews also take into account Group and personal performance. The Board as a whole decides the remuneration of the Non-Executive Directors, informed by the recommendation of the Remuneration Committee.

- **Performance related pay scheme**

There are two performance related pay schemes for Executive Directors. The first is an annual bonus scheme which is based upon the achievement of certain targets by the Group, as appropriate. The Executive Directors' bonus recognised in the 2021 financial period is £nil (2020: £nil). The second scheme is a share option scheme, with 34,121,581 options granted to Directors (and 35,462,775 to senior employees, two of whom have subsequently left the Group) as part of the replacement of options previously granted in OCT, and a further 62,427,016 options at a strike price of £0.065 granted in May 2021 to Directors (and 24,010,392 to senior employees) under a new scheme. Full details on the schemes can be found in note 27.

Directors' Remuneration

Details of the remuneration of the Directors for the financial period are set out below. The salaries include the salary paid to them through OCT as directors of that company prior to the acquisition by OCTP. This excludes share options which are shown separately.

	Salaries & Fees £			Pension £		Other Benefits £		Bonus £		Total Fixed £		Total Variable £	
	2021		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	OCTP	OCT	OCT										
Executive Directors													
Neil Mahapatra[1]	17,257	–	–	–	–	–	–	–	–	17,257	–	–	–
Dr John Lucas[2]	15,833	91,667	100,000	12,023	11,315	–	–	–	–	119,523	111,315	–	–
Clarissa Sowemimo-Coker[3]	15,000	100,833	87,887	12,896	10,104	753	744	–	–	129,482	98,735	–	–
Karen Lowe[4]	14,375	–	–	–	–	–	–	–	–	14,375	–	–	–
Non-Executive Directors													
Julie Pomeroy[5]	694	–	–	–	–	–	–	–	–	694	–	–	–
Cheryl Dhillon[6]	694	–	–	–	–	–	–	–	–	694	–	–	–
Bishrut Mukherjee[7]	–	–	–	–	–	–	–	–	–	–	–	–	–
Gavin Sathianathan[8]	12,838	–	–	–	–	–	–	–	–	12,838	–	–	–
	76,691	192,500	187,887	24,919	21,419	753	744	–	–	294,863	210,050	–	–

1. Neil Mahapatra was paid a base salary of £150,000 and £15,000 for Directors' responsibilities, this was paid pro rata. He receives no pension benefit.
2. Dr John Lucas was paid a base salary of £100,000 by OCT, increasing on 1 May 2021 (and paid by OCTP) to £185,000 and £15,000 for Directors' responsibilities. This increase is compared to an average increase of 30% in the wider workforce.
3. Clarissa Sowemimo-Coker was paid a base salary of £110,000 by OCT, increasing on 1 May 2021 (and paid by OCTP) to £175,000 and £15,000 for Directors' responsibilities. Clarissa was part time, with pro-rata increments to salary in line with time spent during the year ended 31 May 2020. This increase is compared to an average increase of 30% in the wider workforce.
4. Karen Lowe was appointed in April and was remunerated in line with time spent which exceeded the contractual basis, this was based on the base salary of £175,000 FTE and £15,000 for Directors' responsibilities.
5. Julie Pomeroy receives a fee of £25,000, this was paid on a pro-rata basis from the date of IPO rather than from date appointment.
6. Cheryl Dhillon receives a fee of £25,000, this was paid on a pro-rata basis from the date of IPO rather than the date of appointment.
7. Bishrut Mukherjee is a representative of Imperial Brands Plc (a significate shareholder of the Group via its subsidiary Imperial Brands Ventures Ltd), and he receives no remuneration.
8. Gavin Sathianathan receives a fee of £25,000, this was paid on a pro-rata basis from the date of IPO along with an element of time spent in support of the IPO.

Pension

The Group has one pension scheme (a defined contribution scheme), which all new employees (excluding Non-Executive Directors) are eligible to join. The Company contribution rate for new-hire executive directors is set at the same rate as the wider workforce, currently 10%.

Benefits

The Group offers private medical cover for executive directors and their immediate family, this policy extends to the wider workforce as promoting health and well-being is in keeping with the ethos of the Company.

Directors' Remuneration Report continue

Directors' Share Options

	Number of options granted in the period under the replacement share option scheme for Directors previously employed by OCT		Number of options granted under the new scheme for Directors of the Group
	At £0.0416 price	At £0.05 price	At £0.065 price
Neil Mahapatra	–	–	2,401,039
Dr John Lucas	11,597,393	9,870,797	26,411,430
Clarissa Sowemimo-Coker	5,798,696	6,854,695	26,411,430
Karen Lowe	–	–	7,203,117
Gavin Sathianathan	–	–	2,401,039
Cheryl Dhillon	–	–	2,401,039
Julie Pomeroy	–	–	2,401,039
Bishrut Mukherjee	–	–	–
	17,396,089	16,725,492	69,630,133

See note 27 for details of the Group's Share Option Schemes.

Awards to Directors vesting during 2020/21 are as follows:

Name	Number of ordinary shares under option	Price (£) per Option Share	Exercise period
Clarissa Sowemimo-Coker	5,798,696	0.0416	10 years from the date of grant
Clarissa Sowemimo-Coker	6,854,695	0.05	
Dr. John Lucas	11,597,393	0.0416	
Dr. John Lucas	9,870,797	0.05	
	34,121,581		

Dr John Lucas and Clarissa Sowemimo-Coker are subject to a one-year lock-in period on any share dealings following the Group's commencement of trading on the London Stock Exchange on 21 May 2021. A total of 35,462,775 share options granted to Senior Managers also vested during the financial period that were not subject to any such lock-in.

Directors' Shareholdings and Interests

The interests of each person who has served as a director of the Company during the period as at 31 May 2021 (together with interests held by his or her persons closely associated) are shown in the table below:

	Number of Ordinary Shares held
Neil Mahaptra	199,355,382
Dr John Lucas	-
Clarissa Sowemimo-Coker	-
Karen Lowe	-
Gavin H Sathianathan	78,146,151
Cheryl Dhillon	-
Julie Pomeroy	200,000
Bishrut Mukherjee	111,111

There is no requirement for Directors or Non-Executive Directors to hold shares in the Group.

Dr John Lucas

Chief Executive Officer

12 October 2021

Directors' Report

The Directors present their report and financial statements for the period ended 31 May 2021.

Principal activity

The principal activity of the Group is the research, and ultimately the development and commercialisation, of a range of cannabinoid-based prescription medication targeting the pain market.

Results and dividends

The consolidated Statement of Comprehensive Income for the period is set out on page 34. No final dividend is proposed (2020: £nil).

Research activities

The Group continues its research programme as detailed in the CEO Review, The Directors consider the investment in research to be fundamental to the success of the business in the future.

Overseas subsidiary operations

Details of all subsidiaries and their locations are detailed in note 13. OCT Hellas Pharmaceuticals Research & Development Laboratory S.A, a non-trading subsidiary in Greece was dissolved post period end (see note 25 for further details).

Directors

The following Directors have held office in the Company in the period from its incorporation on 4 February 2021 to the signing of the financial statements:

Neil Mahapatra	4 February 2021 appointed as Director and since 23 April 2021 as Executive Chair
Dr John Lucas	23 April 2021 appointed as Chief Executive Officer
Clarissa Sowemimo-Coker	4 February 2021 appointed as Company Secretary and Chief Operating Officer
Karen Lowe	23 April 2021 appointed as Finance Director
Bishrut Mukherjee	23 April 2021 appointed as Non-Executive Director
Cheryl Dhillon	23 April 2021 appointed as Non-Executive Director
Gavin Sathianathan	23 April 2021 appointed as Non-Executive Director
Julie Pomeroy	23 April 2021 appointed as Non-Executive Director

The interests of the Directors (including family interests) in the share capital of the Company are listed on page 24.

Substantial shareholdings

As at 31 May 2021, the Company has been notified of, or is aware of, the shareholders holding 3% or more of the issued share capital of the Company, as detailed below

Name of holder	Number of shares	
Neil Mahapatra (Kingsley Capital Partners LLP)	198,466,493	20.66%
Jim Nominees Limited	117,028,443	12.19%
Imperial Brands Ventures Limited	104,376,988	10.87%
Gavin H Sathianathan (GHS Capital Limited)	78,146,151	8.14%
Tarek Khalil Tabish (Peel Hunt Nominees Limited)	66,974,992	6.97%
Hargreaves Lansdown (Nominees) Limited	52,476,682	5.46%
Aurora Nominees Limited	48,096,138	5.01%
HSBC Global Custody Nominee (UK) Limited	29,100,019	3.03%

Financial risk management

Details of the Group's financial risk management are set out in the Chief Executive's Review and in note 22.

Future developments

The Directors consider that the continued investment in the development of the Group's four core development programmes will allow the business to reach commercialisation by 2027. Contracts agreed with key partners post period end provide further assurance to the Board that the Group is on target to deliver the key stages in the four programmes as outlined in the Chairman's Statement and the Strategic Report.

Going Concern and Viability Statement

The Group's business activities and financial position, together with the factors likely to affect its future development, performance and position, are set out in the CEO's Review and Financial Review. In addition, notes 22 and 23 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial assets and liabilities; and its exposures to credit risk and liquidity risk.

Directors' Report continue

The Group prepares budgets and cashflow forecasts to ensure that the Group can meet its liabilities as they fall due. The uncertainty as to the future impact on the Group of the recent COVID-19 pandemic has been considered as part of the Group's adoption of the going concern basis. As set out in more detail in the CEO's Review, the Directors are confident that the Group is working in alignment with the development plan set out in the prospectus. Several key partners have been onboarded and drug development work has commenced in earnest. Programmes are on time and on budget. There are strict controls in place to manage cash going forward.

Annual General Meeting

The Company's Annual General Meeting will be held at the offices of Penningtons Manches Cooper LLP at 125 Wood Street, London on 24 November 2021 at 10am. The Notice convening the Annual General Meeting (AGM) and an explanation of the business to be put to the meeting is contained in the separate document to shareholders which accompanies this report.

Subsequent events

On 9 June 2021 the dormant Greek subsidiary (OCT Hellas Pharmaceuticals Research & Development Laboratory S.A) was dissolved. Key strategic agreements were signed with Evotec and Canopy.

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are also required to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the UK (IFRSs) under the Listing Rules of the Financial Conduct Authority for companies trading on the Main Market. Under the Listing Rules, the Directors have also elected to prepare the Company financial statements in accordance with IFRSs as adopted by the UK (IFRSs).

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 Group and Company for that period. In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the UK;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and 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 the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statement

The Directors, whose names and functions are set out in this Directors' Report under the sub-heading 'Directors' with the registered office located at Maddox House, 1 Maddox Street, London W1S 2PZ, accept responsibility for the information contained in this annual report and accounts for the period ended 31 May 2021. To the best of the knowledge of the Directors:

- the financial statements are prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of OCTP and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of OCTP and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

OCTP acknowledges that it is responsible for all information drawn up and made public in this report and accounts for the period ended 31 May 2021.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Report review process for the Annual Report

The consolidated financial statements are drafted by appropriate members of the reporting and leadership teams and co-ordinated by the Finance Director to ensure consistency. A series of planned reviews is undertaken by the reporting team and executive directors. In advance of final consideration by the Board, they are reviewed by the Audit Committee.

The Board's review of the system of internal control

The Board is responsible for the Group's overall approach to risk management and internal control and has reviewed the Group's risk management and internal controls systems for the period 1 June 2020 to the date of this Annual Report and Financial Statements and is satisfied that they are effective.

Directors' and officers' insurance

The Group maintains insurance cover for all Directors and officers of Group companies against liabilities which may be incurred by them while acting as Directors and officers.

Auditor

During the period, Moore Kingston Smith LLP was appointed as the Group's auditor. The Board recommend that Moore Kingston Smith LLP be reappointed as auditors at the AGM on 24 November 2021.

Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Report of 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 steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board

Karen Lowe
Finance Director

12 October 2021

Independent Auditors Report

Independent Auditor's Report to the members of Oxford Cannabinoid Technologies Holdings Plc

Opinion

We have audited the financial statements of Oxford Cannabinoid Technologies Holdings Plc ('the Company') and its subsidiaries ('the Group') for the period ended 31 May 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 May 2021 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

Our audit was scoped by obtaining an understanding of the Group and the Company and their environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. The Group is subject to a full scope statutory audit. All components of the Group, except for the dormant subsidiary, were subject to audit by the Group audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Going concern Whilst the Group successfully listed on the London Stock Exchange and had cash funds of £14.63m at 31 May 2021 the Group has made a further loss of £3.23m for the period ended 31 May 2021 and has incurred further losses subsequently. This factor may indicate the existence of uncertainties as to whether the Group and parent company can continue to operate as a going concern as at the date of approval of the financial statements.	The Directors have prepared cash flow forecasts for the Group covering the period to 28 February 2023. We have critically assessed and challenged the assumptions included in these cash flow forecasts. We completed sensitivity analysis on the cash flow forecasts and enquired of management as to any potential changes to the cash flow forecasts. We reviewed the post period end performance of the Group and Company including a review of available banking and loan facilities. We reviewed and critically assessed the disclosures made within the financial statements regarding the going concern status of the Company and Group. Based on the work performed we have gained reasonable assurance as to the appropriateness of the use of the going concern basis in preparing the financial statements.
Assessment of the accounting treatment of options and warrants issued As detailed in note 4 the Group has incurred a share option and warrants charge of £1,021,476 in the period. The recognition of the share-based payment and warrants expense requires estimates to be made regarding the fair value of the share options and warrants granted. These are dependent on the assumptions made in respect of the inputs into the relevant option pricing model. The use of the model and the assumptions made by management thus involve a number of judgements to establish the appropriate inputs into the model.	We re-performed the option pricing model calculation of the share option and warrants charge prepared by the Directors to determine if it had been calculated in accordance with the requirements of IFRS 2. We critically assessed and challenged the variables used by the Directors in preparing the option and warrant calculations. We critically assessed the judgements made by management in determining the share option and warrant charges and the assumptions underlying them to determine whether the option and warrant charge in the consolidated and company financial statements had been calculated in accordance with the requirements of IFRS 2. We identified a material error in the calculation of the share option and warrant charge which has been adjusted by management. Following this adjustment we have concluded that the treatment of the options and warrants issued in the financial statement is acceptable.
Accounting treatment of the group restructuring There is significant management judgement involved in assessing how the group restructuring, which involved the reversal of an existing group into a newly incorporated holding company, should be accounted for in the consolidated financial statements. Management have assessed whether the transaction should be accounted for in accordance with the requirements of IFRS 3 'Business Combinations'. Management have concluded that the transaction does not meet the definition of a business combination and consequently it is not a reverse acquisition as defined in IFRS 3. However management consider that although the transaction is outside the scope of IFRS 3 it can be treated on a similar basis, as detailed in guidance issued by the IFRS Interpretations Committee.	We critically assessed management's accounting treatment of the transaction. In particular we considered whether the restructuring met the definition of a business combination as defined in IFRS 3. We concluded that we agreed with management's assessment that although the transaction did not meet the definition of a business combination or a reverse acquisition in IFRS 3 because at the time of the restructuring the parent company did not meet the definition of a business, nonetheless it was appropriate to account for the restructuring on a similar basis as a reversal. We also critically assessed the related disclosures in the financial statements and have concluded that the disclosures in the financial statements are adequate.

Independent Auditors Report continue

Independent Auditor's Report to the members of Oxford Cannabinoid Technologies Holdings Plc

Key audit matter	How the key audit matter was addressed in the audit
Accounting treatment of Research & Development costs Research costs of £445,400 have been expensed to Group profit or loss in the period. Management have determined that these costs do not meet the criteria set out in IAS 38 'Intangible Assets' for capitalisation as development costs. Management have further determined that all costs are to be expensed prior to regulatory approval being obtained.	We critically assessed the accounting treatment of research and development costs charged to profit or loss. We challenged management's assumptions underlying their accounting policy, particularly regarding regulatory approval, in respect of costs incurred and selected a sample of costs which we agreed to supporting documentation. We also critically assessed the related disclosures in the financial statements. We have concluded that the treatment of research and development costs in the financial statements is acceptable and that the relevant disclosures are adequate.
Accounting treatment of IPO costs As detailed in note 4 costs of £1,683,007 have been incurred in the period in respect of the Admission. £1,322,534 of these costs have been set off against the share premium account and £360,473 have been expensed to profit or loss.	We critically assessed the Admission costs included within the financial statements and challenged the underlying basis of the analysis between those costs charged to profit or loss and those to the share premium. We identified an error in the accounting treatment of these costs which has been adjusted by management. Following this adjustment we have concluded that the treatment of the IPO costs in the financial statements is acceptable.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users of the financial statements we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Overall materiality

Our overall Group materiality is £46,000 and the Company materiality is £11,500.

Basis for determining overall materiality

Our materiality is based on 1.3% of total expenditure. The rationale for our materiality calculation is that the Group and Company are not revenue generating and are not expected to be so until 2027 thus revenue would not be an appropriate basis for determining materiality. A gross assets basis would also not be appropriate given the significant cash and cash equivalents balances arising from the fund raise. Total expenditure is thus considered to be the most appropriate benchmark for determining overall materiality.

Performance materiality

Our Group and Company performance materiality figures have been calculated at £23,000 and £5,750 respectively which have been calculated as 50% of overall materiality.

Reporting of misstatements to the Audit Committee

We agreed with the Audit Committee that we would report all individual audit differences in excess of £2,300 and £575 in respect of the Group and Company respectively. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. As set out in more detail under Key Audit Matter - going concern, our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included critical assessment of the forecasts for twelve months from the date of approval of the audit report with appropriate sensitivity analysis, challenging management as to the assumptions used in the forecasts and consideration of the post-period end performance of the Group including a review of the banking and loan facilities available.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other matter

The corresponding figures presented in the Group financial statements reflect those of Oxford Cannabinoid Technologies Ltd and its subsidiary undertaking as detailed in note 24. These corresponding figures were not audited as Oxford Cannabinoid Technologies Ltd did not require a statutory audit under the Companies Act 2006 in the prior year. The corresponding figures are also prepared on a pro forma basis as the current group structure was not in existence as at 31 May 2020.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

Independent Auditors Report continue

Independent Auditor's Report to the members of Oxford Cannabinoid Technologies Holdings Plc

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at https://wwww.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-for

This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the Company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the Company and considered that the most significant are the Companies Act 2006, UK adopted international financial reporting standards, the Listing Rules, the Disclosure and Transparency Rules, and UK taxation legislation.
- We obtained an understanding of how the Company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.
- We evaluated managements' incentives to fraudulently manipulate the financial statements and determined that the principal risks related to management bias in accounting estimates and judgemental areas of the financial statements. We challenged the assumptions and judgements made by management in respect of the significant areas of estimation, as described in the key audit matters section.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Other matters which we are required to address

We were appointed by the Audit Committee on 15 June 2021 to audit the financial statements for the period ended 31 May 2021. Our total uninterrupted period of engagement is one year, covering the 31 May 2021 period only.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or Company and we remain independent of the Group and the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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 for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's members as a body, for our work, for this report, or for the opinions we have formed.

Matthew Banton (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP,
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Consolidated Statement of Comprehensive Income

For the period ended 31 May 2021

	Notes	2021 £	2020 £ Unaudited Proforma
Revenue		–	–
Research costs		(445,400)	(812,591)
Gross loss		(445,400)	(812,591)
Administrative expenses		(1,518,596)	(1,382,330)
Exceptional items	4	(1,381,949)	(136,534)
Operating loss	5	(3,345,945)	(2,331,455)
Finance income	6	47,021	–
Finance costs	6	(67,713)	(20,488)
Loss before taxation		(3,366,637)	(2,351,943)
Income tax	9	138,651	225,726
Loss for the period		(3,227,986)	(2,126,217)
Other comprehensive income			
Items that may be reclassified to profit or loss		–	–
Total comprehensive income for the period attributable to owners of the Group arising from continuing operations		(3,227,986)	(2,126,217)
Loss per share attributable to the ordinary equity holders of the company:			
Basic loss per share from continuing and total operations	28	(0.504p)	(0.337p)
Diluted loss per share from continuing and total operations	28	(0.504p)	(0.337p)

Consolidated Statement of Financial Position

At 31 May 2021

	Notes	2021 £	2020 £ Unaudited Proforma
Non-current assets			
Intangible assets	10	101,657	140,699
Property, plant and equipment	11	46,826	62,091
Right-of-use assets	12	10,565	87,667
		159,048	290,457
Current assets			
Trade and other receivables	15	421,909	727,547
Cash and cash equivalents	16	14,630,801	309,152
		15,052,710	1,036,699
Total assets		15,211,758	1,327,156
Current liabilities			
Trade and other payables	17	824,114	637,031
Lease liabilities	19	123,885	54,484
Borrowings	18	3,136	–
Total current liabilities		951,135	691,515
Non-current liabilities			
Lease liabilities	19	–	52,840
Borrowings	18	46,864	–
Total non-current liabilities		46,864	52,840
Total liabilities		997,999	744,355
Net assets		14,213,759	582,801
Equity			
Called up share capital	20	9,604,156	–
Share premium account	20	11,877,466	–
Share based payment reserve	27	1,158,010	136,534
Other reserve	20	643,455	6,287,609
Retained earnings		(9,069,328)	(5,841,342)
Total equity		14,213,759	582,801

The financial statements were approved and authorised for issue by the Board of Directors on 12 October 2021 and were signed on behalf by:

Karen Lowe
Finance Director

Company Registration No. 13179529

Company Statement of Financial Position

At 31 May 2021

	Notes	2021 £	2020 £
Non-current assets			
Investment in subsidiary	13	7,226,164	–
		7,226,164	–
Current assets			
Trade and other receivables	15	15,002,961	–
		15,002,961	–
Total assets		22,229,125	–
Current liabilities			
Trade and other payables	17	136,274	–
Total current liabilities		136,274	–
Net assets		22,092,851	–
Equity			
Called up share capital	20	9,604,156	–
Share premium account	20	11,877,466	–
Share based payment reserve	27	1,021,476	–
Retained earnings		(410,247)	–
Total equity		22,092,851	–

As permitted by section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements. The loss for the parent Company was £410,247 (2020: £nil).

The financial statements were approved and authorised for issue by the Board of Directors on 12 October 2021 and were signed on behalf by:

Karen Lowe
Finance Director

Company Registration No. 13179529

Consolidated Statement of Changes in Equity

For the period ended 31 May 2021

	Notes	Share Capital £	Share Premium Account £	Share based payment reserve £	Other Reserve £	Retained Earnings £	Total £ Unaudited Proforma
At 1 June 2019		–	–	–	–	(3,715,125)	(3,715,125)
Loss for the period		–	–	–	–	(2,126,217)	(2,126,217)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive loss		–	–	–	–	(2,126,217)	(2,126,217)
Transactions with owners							
Adjustment to adjust comparatives on a consistent basis as current period		–	–	–	6,287,609	–	6,287,609
Share-based payment charge (options)	27	–	–	136,534	–	–	136,534
Total transactions with owners		–	–	136,534	6,287,609	–	6,424,143
Balance at 31 May 2020		–	–	136,534	6,287,609	(5,841,342)	582,801

	Notes	Share Capital £	Share Premium Account £	Share based payment reserve £	Other Reserve £	Retained Earnings £	Total £
At 1 June 2020		–	–	136,534	6,287,609	(5,841,342)	582,801
Loss for the period		–	–	–	–	(3,227,986)	(3,227,986)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive loss		–				(3,227,986)	(3,227,986)
Transactions with owners							
Shares issued on incorporation		2	–	–	–	–	2
Share for share exchange with OCT		6,304,154	–	–	(6,287,609)	–	16,545
Reversal adjustment on consolidation		–	–	–	643,455	–	643,455
Share issue on Admission		3,300,000	13,200,000	–	–	–	16,500,000
Share-based payment charge (warrants)	27	–	–	96,550	–	–	96,550
Share-based payment charge (options)	27	–	–	924,926	–	–	924,926
Share issue costs		–	(1,322,534)	–	–	–	(1,322,534)
Total transactions with owners		9,604,156	11,877,466	1,021,476	(5,644,154)	-	16,858,944
Balance at 31 May 2021		9,604,156	11,877,466	1,158,010	643,455	(9,069,328)	14,213,759

Company Statement of Changes in Equity

For the period ended 31 May 2021

	Share Capital £	Share Premium Account £	Share Based Payment Reserve £	Retained Earnings £	Total £
Loss for the period	–	–	–	(410,247)	(410,247)
Total comprehensive loss for the period	–	–	–	(410,247)	(410,247)
Transactions with owners					
Shares issued on incorporation	2	–	–	–	2
Share issue on Admission	3,300,000	13,200,000	–	–	16,500,000
Share for share exchange with OCT	6,304,154	–	–	–	6,304,154
Share issue costs	–	(1,322,534)	–	–	(1,322,534)
Share-based payment charge (options)	–	–	924,926	–	924,926
Share-based payment charge (warrants)	–	–	96,550	–	96,550
Total transactions with owners	9,604,156	11,877,466	1,021,476	–	22,503,098
Total equity at 31 May 2021	9,604,156	11,877,466	1,021,476	(410,247)	22,092,851

Consolidated Statement of Cash Flows

For the period ended 31 May 2021

	Notes	2021 £	2020 £ Unaudited Proforma
Cash flows from operating activities			
Cash absorbed from operations	21a	(1,936,955)	(1,878,691)
Interest paid	6	(67,713)	(20,488)
Tax refunded	9	225,726	361,643
Net cash outflow from operating activities		(1,778,942)	(1,537,536)
Cash flows from investing activities			
Payments for property, plant and equipment	11	(769)	(145,113)
Payments for intangible assets	10	–	(155,245)
Proceeds from disposal of property, plant and equipment		571	–
Interest received	6	47,021	–
Net cash inflow/(outflow) from investing activities		46,823	(300,358)
Cash flows from financing activities			
Proceeds from issues of shares on IPO in May 2021	20	16,500,000	–
Proceeds from issues of shares in January 2020		250,000	500,001
Proceeds from borrowings	18	650,000	–
Share issue transaction costs	20	(1,322,534)	–
Lease liability payments	12	(23,698)	–
Net cash generated from financing activities		16,053,768	500,001
Net increase/(decrease) in cash and cash equivalents		14,321,649	(1,337,893)
Cash and cash equivalents at the beginning of the period	16	309,152	1,647,045
Cash and cash equivalents at end of the period	16	14,630,801	309,152

The issue of shares in the share for share exchange in May 2021 is a significant non-cash transaction.

Company Statement of Cash Flows

For the period ended 31 May 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Cash absorbed from operations	21a	(15,177,466)	–
Net cash inflow from operating activities		(15,177,466)	–
Cash flows from financing activities			
Proceeds from issues of shares	21	16,500,000	–
Share issue transaction costs	21	(1,322,534)	–
Net cash generated from financing activities		15,177,466	–
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning of the period		–	–
Cash and cash equivalents at end of the period		–	–

The share option charge of the subsidiary, as detailed in note 13, is a significant non-cash transaction in the period.

Notes to the Financial Statements

For the period ended 31 May 2021

1 General Information

Oxford Cannabinoid Technologies Holdings Plc is a public limited company limited by shares, incorporated and domiciled in England and Wales. Its registered office and principal place of business is Maddox House, 1 Maddox Street, London W1S 2PZ. Incorporated on 4 February 2021, the Company's shares were admitted to trading on the London Stock Exchange on 21 May 2021.

All press releases, financial reports and other information are available at our Shareholder Centre on our website: www.oxcantech.com.

The consolidated financial statements are presented in Pound Sterling (£).

The accounting period for the Company is from the date of its incorporation on 4 February 2021 to 31 May 2021, and for the Group for the period 1 June 2020 to 31 May 2021.

2 Summary of Significant Accounting Policies

2(a) Basis of preparation

Compliance with IFRS

The consolidated and company financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the UK (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These are the first financial statements where IFRSs have been applied.

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities.

2(b) Principles of consolidation and equity accounting

The consolidated financial statements consolidate the Company and its subsidiary undertakings drawn up to 31 May each year. Subsidiaries are all entities over which the Company has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group as detailed in note 2(c), except as otherwise detailed. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

On 17 May 2021, in connection with the pre-IPO group restructuring, the existing OCT shareholders entered into a Share Exchange Agreement with OCTP (as detailed in note 20), with OCTP becoming the legal acquirer of OCT. The group restructuring does not constitute a business combination and consequently it is not a reverse acquisition as defined in IFRS 3. However, although the transaction is outside of the scope of IFRS 3 it has been accounted for on a similar basis, as detailed in guidance issued by the IFRS Interpretations Committee.

Notes to the Financial Statements

For the period ended 31 May 2021

The prior year results have been presented on a similar basis to a reverse acquisition method of accounting, with the share capital and share premium of the legal acquiror being presented rather than that of the accounting acquiror. Other reserves represent the value of shares obtained in excess of the par value under the share for share exchange agreement. This accounting treatment has been detailed in note 24.

Differences between the prior year results in the IPO prospectus and the filed financial statements are due to the prospectus classifying a leased building (with a NBV £87,667) as a right-of-use asset under IFRS 16 (whereas the filed financial statements were prepared in accordance with UK GAAP); the prospectus figures being those of OCT compared to the filed financial statements which recognised an intercompany creditor of £85,608 with OCT Hellas Pharmaceuticals Research & Development Laboratory S.A (as detailed in note 13); and minor differences which are individually immaterial and when aggregated total £664 on the Statement of Financial Position.

2(d) Going concern

The Directors are required to satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis, and as part of that process they have followed the Financial Reporting Council's guidelines ("Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk" issued April 2016).

The Group's business activities together with factors that are likely to affect its future development and position are set out in the Chairman's statement, the CEO's Review and Financial Review. Budgets and detailed cashflow forecasts that look beyond twelve months from the date of these consolidated financial statements have been prepared and used to ensure that the Group can meet its liabilities as they fall due. The Directors have made various assumptions in preparing these forecasts, using their view of both the current and future economic conditions that may impact on the Group during the forecast period.

Key risks and potential scenarios that could negatively impact on the Group's ability to continue to research and ultimately develop and retail prescribed medicines within the timescale detailed within the IPO prospectus have been considered. The signing of the agreement with Evotec for the Group's leading drug candidate OCT461201 is an example of where the Directors have actively managed some key external risk factors by selecting a partner who offers an integrated drug development process, with acceleration through to clinical trial stage.

The Board will be making an equity fund raise within the next fifteen months to two years to provide further financial resources in order to progress with the next stages of the research programmes.

The Directors have also considered the continued impact of the COVID-19 pandemic and the impact of the measures taken to contain it, on the Group. Due to the nature of the Group's activities, there has not been a significant on-going impact on the business (as detailed in the CEO's Review). Nonetheless, the Directors have taken steps to mitigate the impact including the furloughing of staff under the governments' Job Retention Scheme and taking advantage of government initiatives including the Coronavirus Business Interruption Loan Scheme. The Directors have therefore successfully taken steps to safeguard the assets of the Group during the pandemic.

After making enquiries including detailed consideration of the Group's cashflow, solvency and liquidity position, the Board has a reasonable expectation that OCTP, OCT and the Group as a whole have adequate resources to continue in operational existence for at least twelve months from the date of signing of these financial statements. As such, the Board continues to adopt the going concern basis in preparing the consolidated financial statements and annual report.

2(e) Foreign currency translation

Items included in the consolidated financial statements of each of the Group's entities are measured using Pound Sterling, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates, are generally recognised in the Statement of Comprehensive Income.

2(f) Research & development costs

Prior to achieving regulatory approval, all expenditure on research activities is recognised as an expense in the period in which it is incurred. Once such approval is obtained, expenditure can then be recorded as an internally generated intangible asset arising from the Group's development activities if the following conditions can be demonstrated, in accordance with IAS 38 Intangible Assets:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

2(g) Tax

Income tax

Current tax payable is based on taxable profit for the period. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

OCT is entitled to claim special tax deductions for qualifying expenditure (i.e. the Research and Development Tax Incentive regime in the UK). The Group accounts for such allowances as tax credits, which reduces income tax payable and current tax expense.

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Given the Company and Group are several years away from generating a taxable profit, no deferred tax asset is recognised in respect of trading losses. Deferred tax liabilities are always provided for in full and are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

2(h) Leases

The Group leases the head office in London under a five year lease period and office equipment. The latter are short term leases of low value assets and are as such accounted for as operating leases.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for the lease of premises for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead has accounted for this as a single lease component.

Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate the Group:

- uses the monthly average of UK resident banks' sterling weighted interest rate on 'other loans, new advances to SMEs' as a basis;
- uses a build-up approach adjusting for credit and any currency risk, economic factors and property yields for commercial property in the local area;
- benchmarks against similar companies that are also pre-revenue, of a similar scale and sector; and
- makes adjustments specific to the lease, e.g. term and currency.

An incremental borrowing rate of 5.31% (2020: 15%) has been calculated and applied in calculating right-of-use costs and asset value. The borrowing rate was amended in the period following a review by the Directors as detailed in note 19.

Notes to the Financial Statements

For the period ended 31 May 2021

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group has chosen not to revalue right-of-use assets held by the Group.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current (or prior) financial period, there was no amendment to lease liabilities or right-of-use assets to reflect the effect of any potential exercising of the termination option.

2(i) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. There are no bank overdraft arrangements.

2(k) Other financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

2(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of any residual values, over the lease term for leasehold improvements and estimated useful lives for office and computer equipment:

Leasehold improvements	5 years
Office equipment	5 years
Computer equipment	5 years

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2(m) Intangible assets

Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

Intangible assets are comprised of licence fees paid for the use of trademarks on compounds being developed. Such assets are defined as having finite useful lives and the Group amortises the costs using the straight-line method over the estimated useful life of five years. The charge for amortisation in the period includes an adjustment to reflect a reduction in the useful life of the asset to five years.

Prior year figures have been restated to reflect the application of IFRS 16, with the right-of-use asset now shown separately in the Statement of Financial Position having been disclosed within intangible assets in the financial statements of OCT for the year ended 31 May 2020.

2(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities.

The dividends on these preference shares are recognised in profit or loss as finance costs.

Notes to the Financial Statements

For the period ended 31 May 2021

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2(p) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2(q) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2(r) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Leave obligations are calculated by multiplying the average days of outstanding leave at the period end by the daily salary rate of the employee concerned. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations

There are no other long-term employee benefit obligations.

Post-employment obligations

The Group operates one post-employment scheme, a defined contribution pension plan available to all employees. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

Share-based compensation benefits are provided to employees via the Group Employee Option Plan, an employee share scheme, the executive short-term incentive scheme and share appreciation rights. Information relating to these schemes is set out in note 27.

Employee options

The fair value of options granted under the Group Employee Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Employee Option Plan is accounted for as detailed in note 27. When the options are exercised, the appropriate amount of shares are transferred to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

Bonus plans

Where contractually obliged or where there is a past practice that has created a constructive obligation to give staff bonuses, the Group recognises a liability and an expense for bonuses based on a formula that takes into consideration certain financial and operational objectives.

2(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2(v) Exceptional items

Exceptional items comprise costs that are considered by the Directors not to relate to the underlying financial performance of the Group. These are costs incurred by the Group that are considered by the Directors to be material in size and are unusual or infrequent in occurrence which require separate disclosure within the consolidated financial statements. They include one-off transactions and non-cash items such as the share-based payment charge.

2(w) Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance, has been identified as the Board of Directors. The Directors consider that, as the Group is non-revenue generating, there is only one operating segment and consequently no segmental analysis is required

Notes to the Financial Statements

For the period ended 31 May 2021

2(x) New and forthcoming standards and interpretations

New and amended standards adopted by the Group

The only amendment that the Group has applied early is the Covid-19-Related Rent Concessions amendments to IFRS 16.

New standards and interpretations not yet adopted

A number of new accounting standards, amendments to accounting standards and interpretations have been issued by the International Accounting Standards Board with an effective date after the date of these financial statements. The Directors have chosen not to early adopt these standards and interpretations, the Directors do not expect them to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective date
IFRS 7	Financial Instruments: Disclosures – *amendments regarding replacement issues in the context of the IBOR reform*	1 January 2021
IFRS 9	Financial Instruments – *amendments regarding replacement issues in the context of the IBOR reform*	1 January 2021
IFRS 9	Financial Instruments – *amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the "10 per cent" test for derecognition of financial liabilities)*	1 January 2022
IAS 1	Presentation of Financial Statements – *amendments regarding the classification of liabilities*	1 January 2023
IAS 1	Presentation of Financial Statements – *amendments regarding the disclosure of accounting policies*	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – *amendments regarding the definition of accounting estimates*	1 January 2023
IAS 37	Provisions, Contingent Liabilities and Contingent Assets – *amendments regarding the costs to include when assessing whether a contract is onerous*	1 January 2022

3 Critical Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. However uncertainty about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability in future periods.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The areas involving significant estimates or judgements which management consider may have a significant risk of causing a material adjustment to the reported amounts in the period were:

Going concern basis

As outlined in note 2(d), judgement has been applied in accounting for the Group as a going concern. In reaching the decision the Directors have considered current cash reserves and forecast cashflow, solvency and liquidity. The forecasts are based on various assumptions including charges from research partners, rate of progression through to commercialisation, and external economic conditions.

Research & development costs

Judgement is used in the classification and hence treatment of costs incurred in the research and development of the core programmes outlined in the CEO's Review. During the period all of the £445,400 costs incurred were accounted for as research costs and expensed to profit or loss, on the basis that none of the programmes were yet at a stage of having gained regulatory approval for commercialisation.

R&D tax credits receivable

Judgement is applied in calculating the tax credits that the Group consider to be receivable from HMRC in relation to research costs incurred. Evidence is retained to support the methodology adopted by the Group in calculating R&D tax relief claims, part of which involves the judgement of experienced Senior Managers and Directors in articulating the scientific advancements and uncertainties for the wider market of the Group's research programmes based on contemporaneous evidence. The tax credit receivable of £138,651 is detailed in notes 9 and 15.

Lease accounting

As detailed in note 12, in calculating the right-of-use asset value and lease liability, a significant element of judgement and estimation are involved including determining a comparable cost of capital interest rate and lease term. In determining the lease term for example, management considers all facts and circumstances that create an economic incentive to exercise or not exercise a termination option. If there are significant penalty payments to terminate, the Group is typically reasonably certain to not terminate. If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to not terminate. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Impairment of intangible fixed assets

Judgement is involved in determining the useful economic life and potential impairment of the licence intangible asset held by the Group at a net book value of £101,657. This includes consideration of the continuing likelihood of the asset to generate value to the Group and the adherence to the terms of the agreement or any other event which may have a detrimental effect on the carrying value of the asset. The Directors have carried out an impairment review of the asset during the period with no charge considered necessary.

Group restructuring

In determining the treatment of the Group restructuring, judgement has been applied in determining whether OCTP met the definition of a business in accordance with IFRS 3, and hence which entity was the legal and accounting acquirer and acquiree. Further judgement was involved in the application of the guidance issued by the IFRS Interpretations Committee in management determining that the restructuring should be treated in a similar way to a reverse acquisition.

Warrants and share options

The Black-Scholes model is used to calculate the appropriate charge of the warrants and share options. The calculation involves a number of estimates and judgements to establish the appropriate inputs to be entered into the model, including the use of an appropriate interest rate, expected volatility, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

4 Exceptional Items

The Consolidated Statement of Comprehensive Income includes exceptional items totalling £1,381,949 (2020: £136,534) comprised of:

	Note	2021 £	2020 £ Unaudited Proforma
Share-based payment charge	27	1,021,476	136,534
IPO costs		360,473	–
		1,381,949	136,534

Share-based payment charge

As detailed in note 27, the Group operates two share option schemes for its Directors and senior employees one relating to options transferred from OCT and a new scheme for OCP. In addition, £96,550 of warrants were issued as part of the listing in May 2021.

IPO costs

A total of £1,683,007 costs were incurred in respect of the OCTP Admission in May 2021; of which £1,322,534 (see note 20) has been set off against the share premium account and £360,473 has been expensed in the period.

Notes to the Financial Statements

For the period ended 31 May 2021

5 Operating Loss

Operating loss is stated after charging:

	2021 £	2020 £ Unaudited Proforma
Depreciation of property, plant and equipment	15,463	15,099
Depreciation of right-of-use assets	110,189	53,362
Amortisation of intangible asset	39,042	14,546
Operating lease rentals	889	1,001
Share based payment charge	1,021,476	136,534

6 Finance Income and Finance Costs

	2021 £	2020 £ Unaudited Proforma
Finance income	(47,021)	–
Finance costs	67,713	20,488
	20,692	20,488

Finance Income

This relates to finance lease interest on the right-of-use asset held in relation to the leased head offices in London. As detailed in note 12 the Group benefited from a COVID-19 rent rebate in 2021 totalling £55,537. This has been deducted against the lease interest charge in the period.

Finance Costs

This represents loan note interest of £7,713 and the 10% discount on the £600,000 convertible loan note issued by OCT in March 2021 and converted into ordinary shares in May 2021 ahead of the Admission (see note 20 for further details).

7 Employees

The monthly average number of employees was 6 (2020: 5), which excludes Non-Executive Directors. Their aggregate remuneration, including Executive Directors' remuneration, comprised:

	2021 Number	2020 Number
Research	2	1
Management	4	4
Total number of employees	6	5

	2021 £	2020 £ Unaudited Proforma
Wages and salaries	444,636	428,684
Pension	45,917	31,424
Social security costs	56,115	53,950
Share based payments	924,926	136,534
	1,471,594	650,592

The Group has received the benefit of payments under the furlough scheme of £34,369 (2020: £5,436) which has been netted against the above figures. Details of Directors' emoluments, share options and pension entitlements are given in the Directors' Remuneration Report.

Employee Benefit Obligations

	2021 £	2020 £ Unaudited Proforma
Leave obligations	13,617	7,740
Total employee benefit obligations	13,617	7,740

The leave obligations cover the Group's liabilities for annual leave which are classified as short-term benefits, as explained in note 2(r). The liability comprises all of the accrued annual leave, with the entire amount of the provision presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The Group operates a defined contribution pension plan which receive fixed contributions from Group companies. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognised in the current period in relation to these contributions was £45,917 (2020: £31,424).

Medical insurance is provided to all current employees. The expense recognised in the current period in relation to these costs was £5,661 (2020: £3,372).

There are no post-employment obligations.

8 Auditor's Remuneration

During the period, the Group incurred the following costs in respect of services provided by the auditor:

	2021 £	2020 £ Unaudited Proforma
Fees payable to the Company auditor for the audit of the parent company	45,500	–
Fees payable to the Company auditor for further services:		
– audit of Company's subsidiaries pursuant to legislation	10,000	–
– corporate finance services	64,000	30,500

The corporate finance services were provided as part of the Admission process prior to the appointment of Moore Kingston Smith LLP as auditor.

9 Income Tax

The Group is pre-revenue generating, but on target to reach commercialisation of their products in 2027. The Group benefits from research and development corporation tax relief in both the current period and prior years claimed by the Group on allowable research expenditure.

A deferred tax asset of approximately £1,453,000 (2020: £1,104,000) relating to carried forward losses of £5,810,000 (2020: £4,415,000) has not been recognised due to the uncertainty of the timing of future taxable profits.

The Finance Bill 2021 had its third reading on 24 May 2021 and is thus now considered substantively enacted. The deferred tax assets have therefore been calculated at the 25% main rate of corporation tax which will apply from 1 April 2023.

Notes to the Financial Statements

For the period ended 31 May 2021

Current tax charge/(credit)	2021 £	2020 £ Unaudited Proforma
UK corporation tax on loss for the current period	(138,651)	(225,726)
Loss before taxation	(3,366,637)	(2,351,943)
Expected tax based on a corporation tax rate of 19% (2020: 19%)	(639,661)	(446,869)
Effect of expenses not deductible in determining taxable profit	264,470	1,483
Depreciation in excess of capital allowances	31,188	3,117
Losses carried forward	265,011	313,670
Enhanced Research and Development relief utilised	35,962	58,547
Research and Development tax credit	(138,651)	(225,726)
Rate difference between CT rate and R&D repayment rate	43,030	70,052
Taxation credit for the period	(138,651)	(225,726)

10 Intangible Assets

	Licences	
Group	2021 £	2020 £ Unaudited Proforma
Cost		
At 1 June	155,245	–
Additions	–	155,245
At 31 May	155,245	155,245
Amortisation		
At 1 June	14,546	–
Charge in year	39,042	14,546
At 31 May	53,588	14,546
Net book value at 31 May	101,657	140,699

The Company held no intangible assets at 31 May 2021 or 31 May 2020.

The Directors have undertaken a detailed impairment review in the current period and as a result of this process no impairment has been identified as being required as at 31 May 2021.

11 Property, Plant and Equipment

Group	Leasehold Improvements £	Office equipment £	Computer Equipment £	Total £
Cost				
At 1 June 2019	57,182	10,688	7,160	75,030
Additions	–	4,084	–	4,084
At 31 May 2020	57,182	14,772	7,160	79,114
Additions	–	–	769	769
Disposals	–	(571)	–	(571)
At 31 May 2021	57,182	14,201	7,929	79,312
Depreciation				
At 1 June 2019	1,418	205	301	1,924
Charge in year	9,623	3,681	1,795	15,099
At 31 May 2020	11,041	3,886	2,096	17,023
Charge in period	11,372	2,633	1,458	15,463
At 31 May 2021	22,413	6,519	3,554	32,486
Net book value at 31 May 2020	46,141	10,886	5,064	62,091
Net book value at 31 May 2021	34,769	7,682	4,375	46,826

Figures for the year ended 31 May 2020 are unaudited.

The Company held no fixed assets at 31 May 2021 or 31 May 2020.

12 Right-of-Use Assets

This note provides information for leases where the Group is a lessee. The Group does not act as a lessor in any capacity at all.

Group	2021 £	2020 £ Unaudited Proforma
Cost		
At 1 June	141,029	–
Additions	–	141,029
Adjustment to IFRS 16 recognition	33,087	–
At 31 May	174,116	141,029
Depreciation		
At 1 June	53,362	–
Charge in period	110,189	53,362
At 31 May	163,551	53,362
Net book value at 31 May	10,565	87,667

Right-of-use assets is comprised of one lease on the head office building, which commenced in April 2019 for five years.

Notes to the Financial Statements

For the period ended 31 May 2021

The Consolidated Statement of Comprehensive Income shows the following amounts relating to leases:

	Notes	2021 £	2020 £ Unaudited Proforma
Depreciation charge of right-of-use assets			
Leased head office	5	110,189	53,362
Interest expense (included in finance cost)	6	4,258	7,202

COVID-19-related rent concessions

During the period the Group received (unconditional) rent concessions as a direct consequence of the COVID 19 pandemic and applied the practical expedient provided by the IASB in May 2020 and extended in March 2021, to the one lease held by the Group. As a result, £55,537 has been recognised as finance interest income in the Consolidated Statement of Comprehensive Income in the period.

Short term and low value leases

Under IFRS 16 short term and low value leases can be accounted for as operating leases. As such, costs for short term leases for low value office equipment have therefore been expensed in the period.

Extension and termination options

The building lease does not contain an extension option. The early termination option is exercisable by either party.

13 Investments

	Company	
	2021 £	2020 £
Cost and net book value at 1 June	–	–
Additions	6,304,154	–
Share option charge of subsidiary	922,010	–
Cost and net book value at 31 May	7,226,164	–

The Group's subsidiaries at 31 May 2021 are set out below. The share capital consists of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

		Ownership		
Name of Entity	Place of business / country of incorporation	Interest held by Group %	Indirect or Indirect	Principal Activities
Oxford Cannabinoid Technologies Ltd	UK	100	Direct	Pharmaceutical drug research
OCT Hellas Pharmaceuticals Research & Development Laboratory S.A.	Greece	100	Indirect	Dormant

In May 2021, OCTP acquired 100% of the share capital of OCT as part of a group restructuring prior to Admission. The initial investment held at £6,304,154 is comprised of 630,415,444 shares at par value of £0.01.

OCT Hellas Pharmaceuticals Research & Development Laboratory S.A. is a wholly owned subsidiary of Oxford Cannabinoid Technologies Ltd that was dormant in both 2020 and 2021. The subsidiary was dissolved on 9 June 2021.

The Directors have undertaken a detailed impairment review in the current period and as a result of this process no impairment has been identified as being required as at 31 May 2021.

14 Financial Assets and Financial Liabilities

The Group holds the following financial instruments:

	Notes	2021 £	2020 £ Unaudited Proforma
Financial assets at amortised cost			
Cash and cash equivalents	16	14,630,801	309,152
Other receivables		7,090	2
		14,637,891	309,154
Liabilities at amortised cost			
Trade and other payables	17	824,114	637,031
Lease liabilities	19	123 885	107,324
Lease liabilities	18	50,000	–
		997,999	744,355

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

15 Trade and Other Receivables

	Group		Company	
	2021 £	2020 £ Unaudited Proforma	2021 £	2020 £
Prepayments and accrued income	85,323	116,745	57,360	–
Tax credit receivable (note 9)	138,651	225,726	–	–
VAT recoverable	190,937	118,749	52,524	–
Unpaid share capital	–	250,000	–	–
Amounts due from group undertakings	–	–	14,893,075	–
Other receivables	6,998	16,327	2	–
	421,909	727,547	15,002,961	–

The inter-company balance between OCTP and its subsidiary OCT arose due to delays in opening OCTP's banking facility and as such all cash was held by OCT. The balance is unsecured, interest free and repayable on demand.

16 Cash and Cash Equivalents

	Group		Company	
	2021 £	2020 £ Unaudited Proforma	2021 £	2020 £
Cash at bank and in hand	14,630,801	309,152	–	–

The Group does not have a bank overdraft facility.

Notes to the Financial Statements

For the period ended 31 May 2021

17 Trade and Other Payables

	Group		Company	
	2021 £	2020 £ Unaudited Proforma	2021 £	2020 £
Trade payables	500,390	490,658	50,900	–
Accruals and deferred income	192,953	38,495	47,702	–
Other taxation and social security	47,830	7,091	37,672	–
Other payables	82,941	100,787	–	–
	824,114	637,031	136,274	–

18 Borrowings

	Group		Company	
Unsecured:	2021 £	2020 £ Unaudited Proforma	2021 £	2020 £
Government 'Bounce Back' Loan				
Current	3,136	–	–	–
Non-current	46,864	–	–	–
	50,000	–	–	–

OCT obtained a Bounce Back Loan from Metro Bank Plc. The loan is a fixed sum loan agreement of £50,000 and the term is 72 months from the date of drawdown (January 2021) with a fixed annual interest of 2.5%. The total amount of the loan including interest will be £53,241, on the assumption all monthly repayments are made on the date specified in the loan agreement. The first repayment is due on 14 February 2022, with a total of 60 monthly repayments; however, the Group plan to repay the loan in full by December 2021. The loan has been made available to the Group with a guarantee from the UK Government to Metro Bank plc.

During the period 600,000 £1 convertible loan notes was issued by OCT, generating £600,000 of funds (see note 20). The loan note holders entered into a share exchange agreement with OCTP which involved the loan notes ultimately being converted into shares in OCTP.

19 Lease Liabilities

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Current	123,885	54,484	–	–
Non-current	–	52,840	–	–
	123,885	107,324	–	–

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease, or if that rate cannot be readily determined, at the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was reviewed by the Directors during the period and adjusted from 15% as applied in the previous period, to 5.31% for the period ended 31 May 2021.

20 Equity

Share Capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary Shares				
Fully paid of 0.01p each	960,415,644	–	9,604,156	–
Total	960,415,644	–	9,604,156	–

Reconciliation of Ordinary Shares

	Number of Shares	Par Value £	Share Premium £	Total £
Opening balance 1 June 2020	–	–	–	–
Issue of shares on incorporation	200	2	–	2
Share for share exchange with OCT	630,415,444	6,304,154	–	6,304,154
Shares issued on IPO	330,000,000	3,300,000	13,200,000	16,500,000
	960,415,644	9,604,156	13,200,000	22,804,156
Less: transaction costs arising on share issues	–	–	(1,322,534)	(1,322,534)
Balance 31 May 2021	960,415,644	9,604,156	11,877,466	21,481,622

Information relating to the OCT Employee Share Option Plan, including details of options issued during the financial period and options outstanding at the end of the reporting period, is set out in note 27.

On incorporation of OCTP on 4 February 2021 two ordinary shares of £1 each were subscribed for and issued and allotted to Kingsley Capital Partners LLP, paid up in full.

On 23 April 2021:

- 50,000 redeemable non-voting preference shares of £1 each were allotted to Kingsley Capital Partners LLP, following which the share capital of OCTP was £50,002 divided into 2 ordinary shares of £1 each and £50,000 redeemable non-voting preference shares of £1 each;
- OCTP sub-divided the 2 ordinary shares of £1 each into 200 ordinary shares of £0.01 each; and
- OCTP adopted new articles of association setting out the rights of the redeemable non-voting preference shares of £1 each and the ordinary shares of £0.01 each in the capital of OCTP.

On 28 April 2021, OCTP received a trading certificate pursuant to section 761 of the Act entitling it to do business and borrow.

On 14 May 2021, OCTP passed the following resolutions:

- to authorise the redemption (for cash) of the 50,000 non-voting preference shares of £1 each in the capital of OCTP;
- to authorise the Directors, for the purposes of section 551 of the Companies Act 2006 ('Act') to allot relevant securities of OCTP or grant rights to subscribe for or to convert any security into shares in OCTP conditional upon Admission: (i) up to an aggregate nominal amount of £9,850,148.50 in respect of the Share Exchange Agreement and the 330 million of ordinary shares proposed for issuing on 21 May 2021 ('Placing'), the new and replacement share option schemes (as detailed in note 27), the options of 7,203,117 ordinary shares in respect of Non-Executive Directors ('NED Options') and new share option scheme for employees (as detailed in note 27, the 'Unapproved Option'); and otherwise than pursuant to paragraph (i) above, up to an aggregate nominal value of £3,283,383, such authorisation expiring on the date of the next annual general meeting of OCTP; and
- to authorise the Directors to allot equity securities or grant rights to subscribe for or to convert any securities in the capital of OCTP up to a maximum nominal value of £9,850,149.50 as if section 561 of the Act and any pre-emption rights in the Articles of Association did not apply in respect of the Share Exchange Agreement, the Placing, the Share Option Schemes, the NED Options and the Unapproved Option; and otherwise than pursuant to paragraph (i) above, up to an aggregate nominal value of £492,507, such authorisation expiring on the date of the next annual general meeting of OCTP.

Notes to the Financial Statements

For the period ended 31 May 2021

On 17 May 2021, OCTP and the existing OCT shareholders entered into the Share Exchange Agreement pursuant to which the existing OCT shareholders conditionally exchanged their entire holding of shares in OCT in consideration for the issue to them of ordinary shares in OCTP immediately prior to Admission. The Share Exchange Agreement was conditional on the Placing Agreement becoming unconditional in all respects (save only for Admission) so took effect immediately prior to Admission.

On 21 May 2021, with effect immediately prior to Admission OCT:

- Converted the Convertible Loan Note created pursuant to the Convertible Loan Note Instrument into ordinary shares of OCT (see note 18);
- converted the preference shares in the capital of OCT into ordinary shares of OCT;
- the 50,000 issued redeemable non-voting preference shares of £1 each in the capital of the Company was redeemed for cash; and
- the Share-for-Share Exchange took effect and, on Admission, the 330 million placing shares were issued to the investors. The 1,960,972 ordinary shares of £0.0001 each in OCT were converted into 630,415,444 ordinary shares of £0.01 each in OCTP.

Other Reserve

In the prior period the retained earnings and shared based payment reserve are those of OCT as the accounting acquirer with the share capital and share premium being those of the legal acquirer. As OCTP was not incorporated until 4 February 2021, the share capital and share premium of OCTP was nil at 31 May 2020. The Directors have chosen to include an other reserve of £643,455 (2020: £6,287,609) to reflect the equity of OCTP and the Group at that date.

As detailed in note 2c, following the Share Exchange Agreement on 17 May 2021 other reserve represents value of shares obtained in excess of the par value under the share for share exchange agreement. This reserve is not distributable.

21 Cash Flow Information

21(a) Cash used in operations

		Group		Company	
	Note	2021 £	2020 £ Unaudited Proforma	2021 £	2020 £
Loss after income tax from:					
Continuing operations		(3,227,986)	(2,126,217)	(410,247)	–
Loss after income tax		(3,227,986)	(2,126,217)	(410,247)	–
Adjustments for:					
Research and Development tax credit	9	(138,651)	(225,726)	–	–
Depreciation and amortisation	5	164,694	83,007	–	–
Share-based charge		1,021,476	136,534	99,466	–
Finance costs – net	6	20,692	20,488	–	–
Decrease/(increase) in trade receivables		31,437	84,750	(15,002,959)	–
Increase in trade and other payables		191,383	148,473	136,274	–
Cash used in operations		(1,936,955)	(1,878,691)	(15,177,466)	–

21(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are the options and shares issued to employees under the OCT Employee Option Plan and warrants issued to advisers (see note 27).

21(c) Net debt reconciliation

The analysis of net debt and the movements in net debt for each of the periods presented is detailed below:

	Group		Company	
Net debt	2021 £	2020 £ Unaudited Proforma	2021 £	2020 £
Cash and cash equivalents (note 16)	14,630,801	309,152	–	–
Borrowings (note 18)	(50,000)	–	–	–
Lease liabilities (note 19)	(123,885)	(107,324)	–	–
Net debt	14,456,916	201,828	–	–

22 Financial Risk Management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

As a pre-revenue Group, the core financial risks that the Group are exposed to are credit and liquidity risks. The Group's financial risk management is predominantly controlled by the finance team under policies approved by the Board of Directors. Financial risks are identified, evaluated and managed in close co-operation with the Executive Directors.

Liquidity risk

The Group has cash at bank of £14,630,801 as at 31 May 2021.

The Group manages liquidity risk through rolling cash flow forecasts and budgetary controls, ensuring sufficient cash is available to meet obligations when due, predominantly those relating to the research of the four drug programmes. The Group does not operate a bank overdraft facility, and the £50,000 Bounce Back Loan drawn down in January 2021 is intended to be repaid in full by December 2021.

Rolling cash flow forecasts and liquidity performance indicators are monitored by management, and reported to and overseen by the board of directors on a monthly basis, as part of the overall risk management framework.

An estimated £1.12m of the net proceeds from the IPO in May 2021 is allocated to general working capital purposes, with £0.75m of that balance estimated to be required within the 2021/22 financial year. The Group are able to issue a further 5% of ordinary shares without having to seek additional shareholder consent. As at the 31 May 2021, none of this headroom had been used.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy counterparties, principally involving banks and their wholly-owned subsidiaries with a credit rating in excess of B+ (as defined by at least one credit rating agency) when placing cash on deposit. In addition, at the period-end there were no trade receivables in the Statement of Financial Position. The other receivables relate to R&D tax credit and VAT receivable from HMRC. The exposure to credit risk is therefore currently limited to the carrying amount of cash and cash equivalents of £14,630,801 (2020: £309,152).

Foreign Currency Exchange risk

With minimal foreign currency transactions or trade payables, and all assets held in Pound Sterling foreign exchange risk is not considered to be material to the Group.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities (the Group does not hold any derivative financial instruments in the current or prior financial year).

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For the period ended 31 May 2021

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of the discounting is not significant.

Contractual maturities at 31 May 2021	<6 months £	6 to 12 months £	1 to 2 years £	2 to 5 years £	Total contractual cash flows and carrying amounts £
Trade and other payables	824,114	–	–	–	824,114
Lease liabilities	68,424	55,461	–	–	123,885
Borrowings	–	3,136	10,614	36,250	50,000
Total non-derivatives	892,538	58,597	10,614	36,250	997,999

Contractual maturities at 31 May 2020 Unaudited	<6 months £	6 to 12 months £	1 to 2 years £	2 to 5 years £	Total contractual cash flows and carrying amounts £ Unaudited Proforma
Trade and other payables	637,031	–	–	–	637,031
Lease liabilities	26,306	28,178	52,840	–	107,324
Borrowings	–	–	–	–	–
Total non–derivatives	663,337	28,178	52,840	–	744,355

Of the £50,000 disclosed in borrowings, despite the Bounce Back Loan having a term of 72 months, with the first repayment due in February 2022, the Group is planning early repayment of the full £50,000 by December 2021.

23 Capital Management

The Group's objectives when managing capital are to: safeguard their ability to continue as a going concern, and maintain an optimal capital structure to reduce the cost of capital, in order that the Group can continue to research and develop the four drug programmes that could ultimately be commercialised and generate profits available for distribution to the shareholders.

In order to achieve this, the Group may issue new shares, sell assets, and adjust the amount of dividends paid to shareholders. Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio:

Net debt as per note 21(c) divided by Total 'Equity' (as shown in the Consolidated Statement of Financial Position, including non-controlling interests).

	2021 £	2020 £ Unaudited Proforma
Debt	(173,885)	(107,324)
Cash	14,630,801	309,152
Net cash	14,456,916	201,828
Total equity	14,213,759	582,801
Gearing	101.7%	34.6%

The movement in gearing is as a result of the IPO in May 2021 when net proceeds of approximately £14.8m were raised. There remain no financial covenants in place over the Group.

No dividends are proposed for the current financial period as the Group remains pre-revenue (2020: £nil).

24 Accounting for Group Reconstruction

On 17 May 2021, pursuant to a share for share exchange, OCTP unconditionally acquired the shares of OCT in a share for share exchange, prior to the admission of the Group on the main market of the London Stock Exchange on 21 May 2021.

The transaction did not meet the definition of a business combination as the Company was not a business and therefore falls outside the scope of IFRS 3 (Revised) Business Combinations (IFRS 3). However although the transaction is not a reverse acquisition as defined in IFRS 3, the Directors have accounted for the transaction on a similar basis as detailed in guidance issued by the IFRS Interpretation Committee.

As the transaction is not a business combination, no fair value adjustments have been made and no goodwill has been recognised. The difference on consolidation, between the value of the shares issued and the value of shares acquired, has been included as an other reserve of £643,455.

25 Events Occurring After the Reporting Period

OCT Hellas Pharmaceuticals Research & Development Laboratory S.A the dormant subsidiary was dissolved on 9 June 2021.

On 5 July 2021, the Group entered into a service agreement with Aptuit (Verona) SRL, a subsidiary of Evotec SE ("Evotec") to use Evotec's technology platform to expedite the development of the Group's lead compound, OCT461201, towards Phase 1 clinical trials aimed at demonstrating the safety and tolerability of the drug product.

On 22 September 2021, the Group announced a licensing agreement had been signed with Canopy Growth Corporation, providing the Group with an exclusive worldwide licence to their entire cannabinoid derivative library, including 335 derivatives of cannabidiol (CBD), tetrahydrocannabinol (THC) and cannabigerol (CBG), intellectual property rights including 14 patent families and associated product research and development.

Other research agreements following the period end were also were signed with Purisys LLC, Oz-UK Ltd and Voisin Life Sciences, as detailed in the CEO's Review.

26 Related Party Transactions

The Group is headed by Oxford Cannabinoid Technologies Holdings Plc, the ultimate parent entity. There is no ultimate controlling party.

Key management personnel compensation

Detailed remuneration disclosures are provided in full in the Directors' Remuneration Report on pages 25 to 28. The Directors received dividends paid by the Company of £nil (2020: £nil).

The amounts outstanding at the period end due to key management was £nil (2020: £nil).

The following transactions occurred with other related parties:

	2021 £	2020 £ Unaudited Proforma
Purchase of management services from related party (a)	196,067	200,000
Intercompany loan (b)	14,893,075	–
Payments by OCT on behalf of OCTP (b)	79,197	–

(a) A management service agreement is in place between the Group and Kingsley Capital Partners LLP ('KCP'), with the Executive Chair of the Group (Neil Mahapatra) also being the Managing Partner of KCP.

(b) Due to a delay in the opening of a bank account for OCTP, all cash is held in the bank account of OCT, who made payments on behalf of OCTP during the period.

Notes to the Financial Statements

For the period ended 31 May 2021

27 Share-Based Payments

Share-based payment reserve:

	Group		Company	
Share Options	2021 £	2020 £ Unaudited Proforma	2021 £	2020 £
As at 1 June	136,534	–	–	–
Share options: Old Scheme (OCT)	922,010	136,534	922,010	–
Share options: New Scheme (OCTP)	2,916	–	2,916	–
As at 31 May	1,061,460	136,534	924,926	–

	Group		Company	
Warrants	2021 £	2020 £ Unaudited Proforma	2021 £	2020 £
As at 1 June	–	–	–	–
Warrants issued May 2021	96,550	–	96,550	–
As at 31 May	96,550	–	96,550	–
Total share-based payment reserve	1,158,010	136,534	1,021,476	–

Employee Option Plan

The Group operates an equity-settled share-based remuneration scheme for employees. The only vesting condition is that the individual remains an employee of the Group over the vesting period.

During the period, the Group recognised share-based payment expense of £924,926 (2020: £136,534) in relation to options.

Share Options Issued

OCT issued 89,523 share options to four employees on 24 February 2020, that were exercisable at a price of £18.88 per share.

On 14 May 2021, the Board adopted the Group's Replacement Option Scheme to facilitate the grant of replacement options in OCTP by the Company to option holders who held options over shares of OCT under the original OCT Option Scheme. No new grants or options will take place under the Replacement Option Scheme and all of the options vested on 21 May 2021 when the Group listed. A total of 69,584,356 options were issued to three current and two previous employees, with an expiry date of 10 years from the original option date. Two of the employees (both of whom are directors) given replacement options are subject to a lock-in period of one year as part of the Admission.

On 17 May 2021, the Board adopted the Group's new Employee Share Option Scheme to incentivise certain of the Group's employees and directors. This new scheme provides for the grant of both EMI Options and non-tax advantaged options. Options granted under the new scheme will be subject to certain conditions, the key elements of which are as follows:

- The Remuneration Committee may grant options to any employee or executive director of the Group;
- No consideration will be payable for the grant of options;
- The Remuneration Committee determines the exercise price of options before they are granted, which shall be 30% above the 10-day VWAP of the Ordinary Shares at the date of grant of the option; and
- Options can normally only be exercised on satisfaction of the exercise conditions determined by the Remuneration Committee at grant, including any performance conditions which may be set.

On 21 May 2021, 86,437,408 options were granted to 5 employees and 7,203,117 were granted to Non-Executive directors under the new scheme. Each of the options have an exercise price equal to 30% over the Placing price, being £0.065. They will be exercisable from May 2022, staggered over a period of 3 years.

During the year, no options were exercised, forfeited or expired. Share options issued under the Replacement Option Scheme, all of which were outstanding at the end of the year having the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 May 2021
14 May 2021	24 February 2030	£0.042	40,590,874
14 May 2021	24 February 2030	£0.05	28,993,482
Vested and exercisable at 31 May 2021			69,584,356

The assessed fair value at grant date of options converted or granted during the period ended 31 May 2021 was £0.019 for 5p replacement options, £0.0209 for 4.16p replacement options, and £0.0031 for the new options. The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies.

An expense of £922,010 for the replacement scheme and for the new scheme £2,916 was recognised during the period ended 31 May 2021 (2020: £136,534).

The inputs into the option pricing model, calculated using the Black Scholes model for the options replaced in May 2021 included:

Share price (trading price as at 28 May 2021 on LSE)	£0.04
Exercise price	£0.0416 and £0.05
Expected volatility	44.45%
Expected life	9 years
Risk free interest rate	1.5974%

It was estimated for the period ended 31 May 2021 that none of the share options would be exercised. Volatility was based on that of a company in the same sector as the Group, experienced at a similar stage in the company's development, and is within the average banding for the Western European pharmaceutical sector.

The inputs into the option pricing model, calculated using the Black Scholes model, for the options issued under the new scheme in May 2021 included:

Share price (trading price as at 28 May 2021 on LSE)	£0.04
Exercise price	£0.065
Expected volatility	32.28%
Expected life	3 years
Risk free interest rate	0.4638%

Warrants

On 21 May 2021, the OCTP issued a total of 33,307,275 warrants all with an exercise price of £0.05 and a 5 year exercise period, vesting on the day of issue. None of the warrants had been exercised by 31 May 2021.

- The Black-Scholes model is used to calculate the appropriate charge for the warrants. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate, expected volatility, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. During the year, the Group recognised total share- based payment expenses for warrants of £96,550 (2020: £nil).

Notes to the Financial Statements

For the period ended 31 May 2021

- The inputs into the warrants pricing model is as follows:

Share price (trading price as at 28 May 2021 on LSE)	£0.04
Exercise price	£0.05
Expected volatility	34.43%
Expected life	5 years
Risk free interest rate	0.5353%

It was estimated for the period ended 31 May 2021 that none of the warrants would be exercised. Volatility was based on that of a company in the same sector as the Group, experienced at a similar stage in the company's development, and is within the average banding for the Western European pharmaceutical sector.

28 Loss Per Share

	2021 £	2020 £ Unaudited Proforma
28(a) Basic loss per share		
Basic loss per share attributable to the ordinary equity holders of the Company	(0.00504)	(0.00337)
28(b) Diluted loss per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.00504)	(0.00337)
Total diluted loss per share attributable to the ordinary equity holders of the Company	(0.00504)	(0.00337)

28(c) Reconciliations of loss used in calculating loss per share

	2021 £	2020 £ Unaudited Proforma
Basic loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share:	(3,227,986)	(2,126,217)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company:		
Used in calculating basic loss per share	(3,227,986)	(2,126,217)
Used in calculating diluted loss per share	(3,227,986)	(2,126,217)
Loss attributable to the ordinary equity holders of the Company used in calculating diluted loss per share	(3,227,986)	(2,126,217)

28(d) Weighted average number of shares used as the denominator

	2021 Number	2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	640,378,738	630,415,444
Adjustments for calculation of diluted loss per share:	–	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	640,378,738	630,415,444

The prior year calculation has been based on the shares issued in respect of the share for share exchange that took place between OCTP and OCT in May 2021 as part of the Group restructuring.

Directors and Professional Advisers

Directors

- Neil Mahapatra
- Dr John Lucas
- Clarissa Sowemimo-Coker
- Karen Lowe
- Bishrut Mukherjee
- Cheryl Dhillon
- Gavin Sathianathan
- Julie Pomeroy

Secretary

Clarissa Sowemimo-Coker

Company number

13179529

Registered office

Maddox House
1 Maddox Street
London W1S 2PZ

Auditor

Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7AD

Principal Bankers

Metro Bank Plc
247-249 Cromwell Road
London SW5 9GA

Public Relations Advisers

Acuitas Communications Ltd
5 Margaret Street
Fitzrovia
London W1W 8RG

Brokers

States Bridge Capital Ltd
Blackwell House
Guildhall Yard
London EC2V 5AE

Financial Advisers

Cairn Financial Advisers LLP
107 Cheapside
London EC2V 6DN

OCT

Oxford Cannabinoid Technologies

www.oxcantech.com