



Oxford Cannabinoid Technologies Ltd

Directors Report and Financial Statements for the year ended 31 May 2021

Company Registration Number: 10664635

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Introduction and Principal Activities

Oxford Cannabinoid Technologies Ltd ('OCT' or 'Company') 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, OCT 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.

In May 2021, OCT was acquired by OCT Holdings PLC ("OCTP", forming the 'Group') and subsequently successfully listed on the London Stock Exchange ('the Admission') raising £16.5m (£14.8m net of costs) to help finance OCT's four concurrent drug development programmes.

The Company's strategy and objectives are set by the Group Board, details are contained in the Group's Annual Report available at www.oxcantech.com.

Our Business Model

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 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.

Further details of our four current drug development programmes can be found in the Group's Annual Report at www.oxcantech.com.

Review of Business

The four development programmes remain in line with the agreed timescales to commercialisation as set out in the Group's IPO prospectus. The Company is well-funded to complete the development plan, cash controls are in place, and the programmes are working to timetable.

OCT aims to develop a portfolio of drug candidates for approval as licensed pain medicines, with full commercialisation of its first prescription cannabinoid product currently anticipated to be in 2027. The combined experience and expertise of the Group's and Company's Directors 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.

Key agreements have been signed during and shortly after the year end that 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, the Company's 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 the Company's drugs will be manufactured to the highest standards, and its

recent acquisition of the key medical assets from Canopy Growth Corporation ('Canopy') cements OCT's status as a key player in the market for cannabinoid-based medicines.

In the past eighteen months, the COVID-19 pandemic has impacted OCT's efforts in different areas. For example, the work in the laboratories of our collaborators have been severely delayed by successive lockdowns. 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 Company'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 the Company's regulatory consultant Voisin Consulting SARL ('VCLS'), the Company 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 the Company's non-clinical development plan, e.g., in the fully integrated developmental INDiGO platform with Evotec. The exercise has also defined strategies to accelerate its 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 the Company's clinical paths and synopses, will be discussed with the regulators during the scientific advisory meetings to be held in 2022.

The Company has two core key performance indicators (KPIs):

KPI	2021 Outcome
<i>Non-financial</i> Delivery of milestones detailed in the Group's 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.
<i>Financial</i> 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 Company has a cash runway until Q3 of financial year ending 2023.

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

The Directors recognise their responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance, a fundamental of the Company's culture and business values. The Directors recognise the importance of sound corporate governance being commensurate with the size and nature of the Company. The Group have elected to adopt and are committed to following the Quoted Company Alliance Corporate Governance Code, full details of which can be found in the Group's Annual Report 2021 at www.oxcantech.com.

Financial Review

Research costs (excluding any salary costs) reduced by 45% on the prior year, whilst administrative costs decreased by 0.7% to £1,372,734 (2020: £1,382,330). Exceptional costs totalling £1,117,564 (2020: £136,534) related to the Admission (£195,554) (2020: £nil) and costs of share-options issued to employees (£922,010) (2020: £136,534).

OCT 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 loss for the year was £2,817,739 (2020: £2,126,217).

OCT 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 year with a closing NBV of £101,657 (2020: £140,699). OCT also holds £46,826 NBV (2020: £62,091) of property, plant and equipment.

In January 2021 OCT 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. OCT intend to repay this loan in full by December 2021. OCT finished the year with cash funds of £14,630,801 (2020: £309,152).

Trade and other payables of £15,623,582 (2020: £594,090) relate almost entirely to amounts owed to group undertakings, with OCT holding the cash of the parent entity.

Financial Risk Management

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

- *Liquidity risk*

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

The Company 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 Company 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 Group Directors on a monthly basis, as part of the overall risk management framework.

- *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. It 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 year-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 Company.

OCT 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.

Outlook

The Company 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 its 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.

Since the year-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 Company 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 Company's path-to-clinic strategy across the different target markets for both programme 1 (OCT461201) and programme 2 (inhaled PCBs drug-device combination).

The Company 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 Company's lead drug candidate OCT461201, which accounted for £0.78 million of the total.

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 year end, we expect a busy remainder of the current financial year, as we progress towards preclinical trials.

Principal Risks and Uncertainties

OCT identifies, evaluates and manages the principal risks to its strategy in accordance with the corporate governance framework set out in the Corporate Governance Report of the financial statements and also below. 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 crystallising and the potential impact on the Company. 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 Group Board.

The Group Board is responsible for the overall stewardship of our system of risk management, and as such it has completed its assessment of the Company'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
	Impact	Likelihood	
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	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 Company's ability to generate product	Problems, expenses, difficulties, complications and delays are frequently encountered in connection with developing and expanding early-stage businesses, especially biopharmaceutical	<ul style="list-style-type: none"> OCT are running multiple programmes across several value inflection points. An experienced Chief Science Officer is engaged by the Company, 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 Company of any

Risk	Relevance to our Strategy		Mitigation
	Impact	Likelihood	
and development process, including preclinical and clinical development. For example, the Company's future clinical trial results may not be successful.	revenues will be delayed. The failure to develop an approved drug product could ultimately lead to the cessation of the business.	companies. There is a high rate of failure amongst these companies for drug candidates proceeding through clinical trials.	unforeseen delays in the screening and testing process. <ul style="list-style-type: none"> 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.	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.	The Admission on the Official List and commencement of trading on London Stock Exchange of the Group 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.	<ul style="list-style-type: none"> 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 of the Group. Financial forecasting is closely monitored by the Board and independent scrutiny ensures best value is obtained in selecting development partners.
Quality Assurance The Company 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 Company's applications to the regulatory agencies for their drugs to be licensed.	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 Company to perform additional clinical trials before approving marketing applications, causing significant delays to commercialisation and requiring significantly greater expenditures.	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.	<ul style="list-style-type: none"> Only experienced partners with a successful track record in performing clinical trials to the right cGCPs are used to assist the Company 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 Company 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 Company is infringing, misappropriating, or otherwise violating their	Any claims of patent infringement would be time-consuming to resolve and may result in costly litigation; diverting the time and attention of the Company'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	Legal proceedings are inherently unpredictable hence the high level of mitigating controls that are in place.	<ul style="list-style-type: none"> 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 Company's development partners are rigorously checked for safeguards against potential intellectual property and other

Risk	Relevance to our Strategy		Mitigation
	Impact	Likelihood	
intellectual property rights; thereby generating the risk of negative publicity and enforcement action, including civil and criminal penalties.	<p>also require the Company to cease or modify its use of the technology and/or develop non-infringing technology; and/or require the Company to enter into royalty or licensing agreements.</p> <p>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 Company's reputation, leading to a loss of confidence by shareholders and other stakeholders.</p>		common issues in the drug development sector.
<p>Key Staff Dependency</p> <p>The Company 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 Company's management. If competition intensifies between the Company and other market players in the pharmaceutical industry, the Company may not be able to retain its key scientific and management personnel on conditions that are economically acceptable.</p>	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.	All organisations experience staff turnover and there can be no absolute guarantee that the Company will be able to retain its key scientific and management personnel.	<ul style="list-style-type: none"> • Key staff have a 6-month notice year. • Share option schemes are operated to help to retain key staff, and the overall reward and recognition packages are competitive within the sector.
<p>Unlicensed Medical Cannabis</p> <p>The widespread acceptance of, and demand for, unlicensed medical cannabis may negatively impact demand</p>	A negative impact on demand for the Company's drug products could have an adverse effect on the Company's business, financial condition and results of operations.	It is likely that continuing media coverage will focus on the unlicensed medical cannabis market.	<ul style="list-style-type: none"> • 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

Risk	Relevance to our Strategy		Mitigation
	Impact	Likelihood	
<p>for licensed prescription medicines, i.e., the sector that the Company is targeting.</p> <p>There is a risk that the Company 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.</p>			<p>Company differentiates itself from the unlicensed medical cannabis market.</p> <ul style="list-style-type: none"> 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.
<p>Reputational Damage</p> <p>Imperial Brands Ventures Limited ("Imperial Brands") is a major shareholder in the Group (10.87%). Public sentiment on tobacco companies holding pharmaceutical shares is broadly negative.</p>	<p>Having Imperial Brands (or any other tobacco company on the shareholder register may have a detrimental impact on the Company's reputation and may limit OCT's optionality to pursue research with academic institutions, or other groups who object to tobacco funding.</p>	<p>The media may identify Imperial Brands as being an investor, but they have investments across many industries.</p>	<ul style="list-style-type: none"> 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.

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 Group Board have overall responsibility for the Company's compliance with Section 172(1) of the Companies Act 2006 and the Group Annual Report details how the Group directors have had regard to the wider stakeholder needs. The directors recognise that their primary role is the representation and promotion of shareholders' interests. The Group 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 Group has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code"). The Group 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 Group's stakeholders are safeguarded.

Our employees are one of the critical assets of the business. The Group is passionate about 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 Group 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. The Group have a Remuneration Committee that oversees and makes recommendations of executive remuneration and option awards, and a Nominations Committee.

The Group 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.

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.



Karen Lowe
Finance Director
13 December 2021

Directors' Report

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

Principal activity

The principal activity of the Company 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 Statement of Comprehensive Income for the year is set out on page 18. No final dividend is proposed (2020: £nil).

Directors

The following Directors have held office in the Company since 1 June 2020 and up to the date of this report except where noted:

Neil Mahapatra	
John Lucas	Appointed 21 May 2021
Clarissa Sowemimo-Coker	Appointed 21 May 2021
Karen Lowe	Appointed 21 May 2021
Bishrut Mukherjee	Resigned 21 May 2021
Gavin Sathianathan	Resigned 21 May 2021
Hee-Dong Kim	Resigned 21 May 2021
Anthony Marshall	Resigned 21 May 2021
Karan Wadhera	Resigned 21 May 2021

Directors' interests

None of the Directors had any interests in the share capital of the Company as at 31 May 2021. However at 31 May 2020 Neil Mahapatra and Hee-Dong Kim each held 50% of the total share capital of 1,324,213 ordinary shares of £0.0001.

The Directors' interests in the shares of Oxford Cannabinoid Technologies Holdings Plc, the parent undertaking, are detailed below. As at 31 May 2021 Clarissa Sowemimo-Coker, Karan Wadhera, Anthony Marshall and Hee-Dong Kim did not hold any shares in Oxford Cannabinoid Technologies Holdings Plc.

	<u>Number of Ordinary Shares held</u>
Neil Mahapatra	199,355,382
Gavin Sathianathan	78,146,151
Bishrut Mukherjee	111,111

Directors' and officers' insurance

The Company's ultimate parent company, Oxford Cannabinoid Technologies Holdings Plc, maintains insurance cover for all Directors and officers of the Company against liabilities which may be incurred by them while acting as Directors and officers.

Research activities

The Company continues its research programme as detailed in the Strategic Report. The Directors consider the investment in research to be fundamental to the success of the business in the future.

Financial risk management

Details of the Company's financial risk management are set out in the Strategic Report.

Future developments

The Directors consider that the continued investment in the development of the Company's four core development programmes will allow the business to reach commercialisation by 2027. Contracts agreed with key partners post year end provide further assurance that the Company is on target to

deliver the key stages in the four programmes as outlined in the Strategic Report.

Going Concern

The Company's business activities and financial position, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report and the financial statements.

The Company prepares budgets and cashflow forecasts to ensure that the Company can meet its liabilities as they fall due. The uncertainty as to the future impact on the Company of the COVID-19 pandemic has been considered as part of the Company's continued adoption of the going concern basis. As set out in more detail in the Strategic Report, the Directors are confident that the Company is working in alignment with the development plan set out in the Group's IPO 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.

Subsequent events

Details of the key strategic agreements signed after the year end with new research partners, including Evotec and Canopy, are set out in the Strategic Report.

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare Company financial statements for each financial year. The Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards 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 Company for that year. In preparing the 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 Company will continue in business.

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

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 Directors Report and Financial Statements for the year 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 OCT 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 OCT, together with a description of the principal risks and uncertainties that the Company faces.

The Directors of OCT acknowledge that they are responsible for all information drawn up and made public in this report and accounts for the year ended 31 May 2021.

Report review process for the Directors' Report and Financial Statements

The financial statements are drafted by appropriate members of the financial reporting and leadership teams and co-ordinated and reviewed by the Group Finance Director to ensure accuracy and consistency. A series of planned reviews is undertaken by the Executive Directors.

The Board's review of the system of internal control

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

Auditor

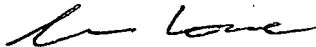
During the year Moore Kingston Smith LLP were appointed as auditor. Under section 487(2) of the Companies Act 2006, Moore Kingston Smith LLP will be deemed to have been reappointed as auditor 28 days after these financial statements are sent to members or 28 days after the latest date prescribed for filing the accounts with the Registrar, whichever is earlier.

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
13 December 2021

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Oxford Cannabinoid Technologies Ltd ('the Company') for the year ended 31 May 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement 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 Company's affairs as at 31 May 2021 and of the loss for the year then ended;
- the Company financial statements have been properly prepared in accordance with UK adopted international accounting standards; 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 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.

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.

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 Company's ability to continue as a going concern for a year 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 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, 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 year 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 Company and its 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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 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 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.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 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 matter

The corresponding figures presented in the financial statements were not audited as the Company did not require a statutory audit under the Companies Act 2006 in the prior year.

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.

Moore Kingston Smith LLP

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

14 December 2021
Devonshire House
60 Goswell Road
London
EC1M 7AD

Statement of Comprehensive Income

	Notes	2021 £	Restated 2020 £ Unaudited
Revenue		-	-
Research costs		(445,400)	(812,591)
Gross loss		(445,400)	(812,591)
Administrative expenses		(1,372,734)	(1,382,330)
Exceptional items	4	(1,117,564)	(136,534)
Operating loss	5	(2,935,698)	(2,331,455)
Finance income	6	47,021	-
Finance costs	6	(67,713)	(20,488)
Loss before taxation		(2,956,390)	(2,351,943)
Income tax	9	138,651	225,726
Loss for the year		(2,817,739)	(2,126,217)
Other comprehensive income			
Items that may be reclassified to profit or loss		-	-
Total comprehensive income for the year attributable to owners of the Group arising from continuing operations		(2,817,739)	(2,126,217)

Statement of Financial Position

	Notes	2021 £	Restated 2020 £ Unaudited	Restated 2019 £ Unaudited
Non-current assets				
Intangible assets	10	101,657	140,699	-
Property, plant and equipment	11	46,826	62,091	73,106
Right-of-use assets	12	10,565	87,667	133,406
		<u>159,048</u>	<u>290,457</u>	<u>206,512</u>
Current assets				
Trade and other receivables	14	305,040	720,561	698,034
Cash and cash equivalents	15	14,630,801	309,152	1,647,045
		<u>14,935,841</u>	<u>1,029,713</u>	<u>2,345,079</u>
Total assets		<u>15,094,889</u>	<u>1,320,170</u>	<u>2,551,591</u>
Current liabilities				
Trade and other payables	16	15,623,582	594,090	549,012
Lease liabilities	18	123,885	54,484	36,817
Borrowings	17	3,136	-	-
Total current liabilities		<u>15,750,603</u>	<u>648,574</u>	<u>585,829</u>
Non-current liabilities				
Trade and other payables	16	-	85,608	85,608
Lease liabilities	18	-	52,840	107,324
Borrowings	17	46,864	-	-
Total non-current liabilities		<u>46,864</u>	<u>138,448</u>	<u>192,932</u>
Total liabilities		<u>15,797,467</u>	<u>787,022</u>	<u>778,761</u>
Net (liabilities) / assets		<u>(702,578)</u>	<u>533,148</u>	<u>1,772,830</u>
Equity				
Called up share capital	19	196	133	132
Share premium account	19	6,947,416	6,287,476	5,537,476
Share based payment reserve	22	1,058,544	136,534	-
Retained earnings		<u>(8,708,734)</u>	<u>(5,890,995)</u>	<u>(3,764,778)</u>
Total equity		<u>(702,578)</u>	<u>533,148</u>	<u>1,772,830</u>

The financial statements were approved and authorised for issue by the Board of Directors on 13 December 2021 and were signed on behalf by:



Karen Lowe
Finance Director
Company Registration No. 10664635

Statement of Changes in Equity

	Notes	Share Capital £	Share Premium Account £	Share based payment reserve £	Retained Earnings £	Total £ Unaudited
At 1 June 2019		132	5,537,476	-	(3,764,778)	1,772,830
Loss for the year		-	-	-	(2,126,217)	(2,126,217)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss		-	-	-	(2,126,217)	(2,126,217)
Transactions with owners						
Series B Funding January 2020		1	750,000	-	-	750,001
Share-based payment charge	22	-	-	136,534	-	136,534
Total transactions with owners		1	750,000	136,534	-	886,535
Balance at 31 May 2020		133	6,287,476	136,534	(5,890,995)	533,148

	Notes	Share Capital £	Share Premium Account £	Share based payment reserve £	Retained Earnings £	Total £
At 1 June 2020		133	6,287,476	136,534	(5,890,995)	533,148
Loss for the year		-	-	-	(2,817,739)	(2,817,739)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss		-	-	-	(2,817,739)	(2,817,739)
Transactions with owners						
Issue of preference shares		3	-	-	-	3
Conversion of loan note		60	659,940	-	-	660,000
Share-based payment charge	22	-	-	922,010	-	922,010
Total transactions with owners		63	659,940	922,010	-	1,582,013
Balance at 31 May 2021		196	6,947,416	1,058,544	(8,708,734)	(702,578)

Statement of Cash Flows

	Notes	2021 £	2020 £ Unaudited
Cash flows from operating activities			
Cash absorbed from operations	20a	13,180,511	(2,019,720)
Interest paid	6	(7,713)	(20,488)
Tax refunded	9	225,726	361,643
Net cash inflow/(outflow) from operating activities		13,398,524	(1,678,565)
Cash flows from investing activities			
Payments for property, plant and equipment	11	(769)	(4,084)
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	(159,329)
Cash flows from financing activities			
Proceeds from issues of shares		250,000	500,001
Proceeds from borrowings	17	650,000	-
Repayment of lease liabilities	12	(23,698)	-
Net cash generated from financing activities		876,302	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	15	309,152	1,647,045
Cash and cash equivalents at end of the period	15	14,630,801	309,152

The recognition of a right-of-use asset and corresponding liability and the recognition of the interest on the convertible loan note are significant non-cash transactions.

Notes to the Financial Statements

1 General Information

Oxford Cannabinoid Technologies Ltd is a private 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.

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

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

The financial statements present information about the Company as an individual undertaking and not about its Group. The Company has not prepared consolidated financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a wholly-owned subsidiary undertaking of Oxford Cannabinoid Technologies Holdings Plc, a company incorporated in England & Wales, and is included in the consolidated financial statements of that company.

2 Summary of Significant Accounting Policies

2(a) Basis of preparation

Compliance with IFRS

The financial statements 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. 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) 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 Company has incurred a loss of £2,817,739 (2020: £2,126,217) in the year and at 31 May 2021 had net liabilities of £702,578 (2020: £533,148 net assets) which may indicate that the Company is not a going concern. However, the Company has cash funds available of £14,630,801 (2020: £309,152) at 31 May 2021 and trade and other payables include an amount due to its parent undertaking of £14,893,075 (2020: £nil). The Company has received written confirmation from its parent undertaking that it will not demand repayment of the amount for at least twelve months from the date of signing of these financial statements unless the Company has the working capital to repay it.

The Company's business activities together with factors that are likely to affect its future development and position are set out in the Strategic Report. Budgets and detailed cashflow forecasts that look beyond twelve months from the date of signing these financial statements have been prepared and used to ensure that the Company 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 Company during the forecast year.

Key risks and potential scenarios that could negatively impact on the Company's ability to continue to research and ultimately develop and retail prescribed medicines have been considered. The signing of the agreement with Evotec for the Company'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 Directors have also considered the continued impact of the COVID-19 pandemic and the impact of the measures taken to contain it, on the Company. Due to the nature of the Company's activities, there has not been a significant on-going impact on the business (as detailed in the Strategic Report). 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 Company during the pandemic.

After making enquiries including detailed consideration of the Company's cashflow, unsecured debt owing to the ultimate parent entity, solvency and liquidity position, the Board has a reasonable expectation that the Company has 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 financial statements and annual report.

2(c) Foreign currency translation

Items included in the financial statements are measured using Pound Sterling, which is the Company'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 year end exchange rates, are generally recognised in the Statement of Comprehensive Income.

2(d) Research & development costs

Prior to achieving regulatory approval, all expenditure on research activities is recognised as an expense in the year in which it is incurred. Once such approval is obtained, expenditure can then be recorded as an internally generated intangible asset arising from the Company'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;
- 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(e) Tax

Income tax

Current tax payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. The Company is entitled to claim special tax deductions for qualifying expenditure (i.e. the Research and Development Tax Incentive regime in the UK). The Company 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 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 Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

Given the Company is 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 year of realisation, provided they are enacted or substantively enacted at the balance sheet date.

2(f) Leases

The Company leases the head office in London under a five year lease 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 Company 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 Company 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 Company'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 Company:

- 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 year following a review by the Directors as detailed in note 18.

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 year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

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 Company has chosen not to revalue right-of-use assets held by the Company.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company 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 year, 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(g) 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 year.

2(h) 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(i) Other financial assets

The Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company 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(j) 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 Company 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 year 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 year.

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 Company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2(k) 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 Company amortises the costs using the straight-line method over the estimated useful life of five years. The charge for amortisation in the year includes an adjustment to reflect a reduction in the useful life of the asset to five years.

2(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year 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 year. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2(m) 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 year 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 year 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.

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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

2(n) 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 year 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 year 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 year in which they are incurred.

2(o) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company 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 year. 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(p) Employee benefits

During the year all, with one exception, of OCT's employees transferred onto OCT Holdings Plc contracts of employment. All employee benefits thereafter were provided by OCT Holdings Plc. Prior to that transfer:

- 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 year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year 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 year 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 Company operated one post-employment scheme, a defined contribution pension plan available to all employees, with the Company paying contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company 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 Company's Employee Option Plan, an employee share scheme, the executive short-term incentive scheme and share appreciation rights. Information relating to these schemes, all of which were replaced by those of the parent entity in May 2021, is set out in note 22.

- *Employee options*

The fair value of options granted under the Company 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 year), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific year 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 year, 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 22. 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 Company recognises a liability and an expense for bonuses based on a formula that takes into consideration certain financial and operational objectives.

2(q) 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(r) Dividends

As the subsidiary of Oxford Cannabinoid Technologies Holdings Plc since May 2021, the policy for dividends is decided and applied by the Group Board, full details of which can be found in the Group's Annual Report at www.oxcantech.com.

2(s) Exceptional items

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

2(t) New and forthcoming standards and interpretations

New and amended standards adopted by the Company

The only amendment that the Company 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 years and on foreseeable future transactions.

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

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 year were:

Going concern basis

As outlined in note 2(b), judgement has been applied in accounting for the Company 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 Strategic Report. During the year 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 Company consider to be receivable from HMRC in relation to research costs incurred. Evidence is retained to support the methodology adopted by the Company 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 Company's research programmes based on contemporaneous

evidence. The tax credit receivable of £138,651 is detailed in notes 9 and 14.

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 Company is typically reasonably certain to not terminate. If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to not terminate. Otherwise, the Company 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 Company at a net book value of £101,657 at 31 May 2021. This includes consideration of the continuing likelihood of the asset to generate value to the Company 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 year with no charge considered necessary.

Share option charge

The Black-Scholes model is used to calculate the appropriate charge of the 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 Statement of Comprehensive Income includes exceptional items totalling £1,117,564 (2020: £136,534) comprised of:

	Note	2021 £	2020 £ Unaudited
Share-based payment charge	22	922,010	136,534
IPO costs		195,554	-
		1,117,564	136,534

Share-based payment charge

As detailed in note 22, the Company operated a share option scheme during the year prior to it being replaced by one operated by the parent entity in May 2021.

IPO costs

£195,554 costs were incurred by the Company in respect of the parent entity's Admission in May 2021; all of which have been expensed in the year.

5 Operating Loss

Operating loss is stated after charging:

	2021 £	2020 £ Unaudited
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	922,010	136,534

6 Finance Income and Finance Costs

	2021 £	2020 £ Unaudited
Finance income	(47,021)	–
Finance costs	67,713	20,488
	<u>20,692</u>	<u>20,488</u>

Finance Income

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

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 Company being acquired by OCT Holdings Plc (see note 19 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	<u>6</u>	<u>5</u>

	2021 £	2020 £ Unaudited
Wages and salaries	374,453	428,684
Pension	41,518	31,424
Social security costs	47,693	53,950
Share based payments	922,010	136,534
	<u>1,385,674</u>	<u>650,592</u>

The Company 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 detailed in the Group's Annual Report accessible via www.oxcantech.com.

The Company operates a defined contribution pension plan for which the Company's legal or constructive obligation is limited to the contributions. The expense recognised in the current year in relation to these contributions was £41,518 (2020: £31,424).

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

There are no post-employment obligations.

The number of directors to whom retirement benefits are owing under money purchase pension schemes is £nil (2020: £nil).

8 Auditor's Remuneration

During the year, the Company incurred the following costs in respect of services provided by the auditor:

	2021 £	2020 £ Unaudited
Fees payable to the Company auditor for the audit of the Company	20,000	-
Fees payable to the Company auditor for further services:		
- 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 Company is pre-revenue generating, but on target to reach commercialisation of their products in 2027. The Company benefits from research and development corporation tax relief in both the current year and prior years claimed by the Company 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.

	2021 £	2020 £ Unaudited
Current tax credit		
UK corporation tax on loss for the current year	(138,651)	(225,726)
Loss before taxation	(2,956,390)	(2,351,943)
Expected tax based on a corporation tax rate of 19% (2020: 19%)	(561,714)	(446,869)
Effect of expenses not deductible in determining taxable profit	214,237	1,483
Depreciation in excess of capital allowances	31,188	3,117
Losses carried forward	237,297	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 year	(138,651)	(225,726)

10 Intangible Assets

	Licences	
	2021	2020
	£	£
		Unaudited
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 Directors have undertaken a detailed impairment review in the current year 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

	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 year	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.

12 Right-of-Use Assets

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

	2021 £	2020 £ Unaudited
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 year	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.

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

	Notes	2021 £	2020 £ Unaudited
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

The total cash outflow for leases in 2021 was £23,698 (2020: £nil).

COVID-19-related rent concessions

During the year the Company 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 Company. As a result, £55,537 has been recognised as finance interest income in the Statement of Comprehensive Income in the year.

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 year.

Extension and termination options

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

13 Financial Assets and Financial Liabilities

The Company holds the following financial instruments:

	Notes	2021 £	2020 £ Unaudited
Financial assets at amortised cost			
Cash and cash equivalents	15	14,630,801	309,152
Trade and other receivables	14	305,040	720,561
		14,935,841	1,029,713
Liabilities at amortised cost			
Trade and other payables	16	15,623,582	679,698
Lease liabilities	18	123,885	107,324
Borrowings	17	50,000	–
		15,797,467	787,022

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

14 Trade and Other Receivables

	2021 £	2020 £ Unaudited
Prepayments and accrued income	27,965	116,745
Tax credit receivable (note 9)	138,651	225,726
VAT recoverable	138,412	118,749
Unpaid share capital	–	250,000
Other receivables	12	9,341
	305,040	720,561

15 Cash and Cash Equivalents

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

The Company does not have a bank overdraft facility. Cash is held on behalf of the ultimate parent entity.

16 Trade and Other Payables

	2021 £	2020 £ Unaudited
Current Liabilities		
Trade payables	449,490	447,717
Accruals and deferred income	145,251	38,495
Other taxation and social security	10,158	7,091
Other payables	40,000	100,787
Amounts due to group undertakings	14,978,683	-
	15,623,582	594,090
Non-Current Liabilities:		
Amounts due to group undertakings	-	85,608

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

17 Borrowings

	2021 £	2020 £ Unaudited
Unsecured:		
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 Company repaid the loan in full in November 2021. The loan has been made available to the Company with a guarantee from the UK Government to Metro Bank plc.

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

18 Lease Liabilities

	2021 £	2020 £ Unaudited
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 year and adjusted from 15% as applied in the previous year, to 5.31% for the year ended 31 May 2021.

19 Equity

Share Capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary Shares				
Fully paid of 0.0001p each	1,960,972	1,324,213	196	133
Total	1,960,972	1,324,213	196	133

Reconciliation of Ordinary Shares

	Number of Shares	Par Value £	Share Premium £	Total £
Opening balance 1 June 2020	1,324,213	133	6,287,476	6,287,609
Preference shares converted	36,759	3	-	3
Loan note converted	600,000	60	659,940	660,000
Balance 31 May 2021	1,960,972	196	6,947,416	6,947,612

Information relating to the OCT Employee Share Option Plan, including details of options issued during the financial year and options outstanding at the end of the reporting year, is set out in note 22.

20 Cash Flow Information

20(a) Cash generated from / (used in) operations

	Note	2021 £	2020 £ Unaudited
Loss after income tax from:			
Continuing operations		(2,817,739)	(2,126,217)
Loss after income tax		(2,817,739)	(2,126,217)
Adjustments for:			
Research and Development tax credit	9	(138,651)	(225,726)
Depreciation and amortisation	5	164,694	83,007
Share-based charge		922,010	136,534
Finance costs – net	6	20,692	20,488
Adjustment to lease liabilities and right-of-use asset		7,264	-
Decrease in trade and other receivables		78,357	158,144
Increase in trade and other payables		14,943,884	(65,950)
Cash generated from / (used in) operations		13,180,511	(2,019,720)

20(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 (see note 22).

20(c) Net debt reconciliation

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

	2021 £	2020 £ Unaudited
Net debt		
Cash and cash equivalents (note 15)	14,630,801	309,152
Borrowings (note 17)	(50,000)	-
Lease liabilities (note 18)	(123,885)	(107,324)
Net cash and cash equivalents	14,456,916	201,828

21 Events Occurring After the Reporting Date

On 5 July 2021, the Company 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 Company'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 Company announced a licensing agreement had been signed with Canopy Growth Corporation, providing the Company 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 year end were also signed with Purisys LLC, Oz-UK Ltd and Voisin Life Sciences, as detailed in the Strategic Report.

22 Share-Based Payments

Share-based payment reserve:

	2021 £	2020 £ Unaudited
Share Options		
As at 1 June	136,534	-
Share options: Old Scheme (OCT)	922,010	136,534
As at 31 May	1,058,544	136,534

Employee Option Plan

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

During the year, the Company recognised share-based payment expense of £922,010 (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 Company's Replacement Option Scheme to facilitate the grant of replacement options in OCT Holdings Plc 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 year of one year as part of the Admission.

During the year, no options were exercised or expired. Share options issued under the Replacement Option Scheme (in OCT Holdings PLC), all of which were outstanding at the end of the year, with a weighted average contractual life at 31 May 2021 of 8 years and 9 months, 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 year 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.

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 year 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 Company, experienced at a similar stage in the company's development, and is within the average banding for the Western European pharmaceutical sector. As the Company is pre-revenue until approximately 2027, no dividends (payable by Group) have been factored into the model.

23 Related party transactions

The Company is 100% owned by Oxford Cannabinoid Technologies Holdings Plc ("OCTP"), the ultimate parent entity. There is no ultimate controlling party of the Group.

The following transactions occurred with other related parties:

	2021 £	2020 £
		Unaudited
Purchase of management services from related party (a)	196,067	200,000
Amount due to OCTP (b)	14,893,075	-
Payments by OCT on behalf of OCTP (b)	79,197	-

- (a) During the year a management service agreement was in place between the Company and Kingsley Capital Partners LLP ('KCP'), with the Executive Chair of the Group (Neil Mahapatra) also being the Managing Partner of KCP. This contract was terminated and replaced by one between KCP and OCT Holdings Plc on 20 May 2021.
- (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 year.

24 First time adoption of IFRS

These financial statements, for the year ended 31 May 2021, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 May 2020, the Company prepared its financial statements in accordance with local generally accepted accounting principles (UK GAAP).

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 May 2021, together with the comparative period data for the year ended 31 May 2020. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 June 2019, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its UK GAAP financial statements, including the statement of financial position as at 1 June 2019 and the financial statements as of, and for, the year ended 31 May 2020.

- IFRS16

The Company assessed all contracts existing at 1 June 2019 to determine whether a contract contains a lease based upon the conditions in place as at 1 June 2019.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 June 2019. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 June 2019. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on a straight-line basis over the lease term.

- Estimates

The estimates at 1 June 2019 and at 31 May 2021 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies) apart from Share-based payment transactions where application of UK GAAP did not require estimation. The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 June 2019, the date of transition to IFRS and as at 31 May 2021.

The Company has adopted IFRS for the first time. The Company has restated comparatives on adoption and the impact of the adoption is presented in the following tables.

	Reported 31 May 2020 £	Transition to IFRS £	As restated 31 May 2020 £
Revenue	-	-	-
Research costs	(812,591)	-	(812,591)
Gross loss	(812,591)	-	(812,591)
Administrative expenses	(1,382,330)	-	(1,382,330)
Exceptional items	(136,534)	-	(136,534)
Operating loss	(2,331,455)	-	(2,331,455)
Finance income	-	-	-
Finance costs	(20,488)	-	(20,488)
Loss before taxation	(2,351,943)	-	(2,351,943)
Income tax	225,726	-	225,726
Loss for the year	(2,126,217)	-	(2,126,217)
Other comprehensive income			
Items that may be reclassified to profit or loss	-	-	-
Total comprehensive income for the year attributable to owners of the Group arising from continuing operations	(2,126,217)	-	(2,126,217)

The adjustments to the Statement of Financial Position are as follows:

	Reported at 1 June 2019 £	Transition to IFRS £	Restated at 1 June 2019 £	Reported at 31 May 2020 £	Transition to IFRS £	Restated at 31 May 2020 £
Non-current assets						
Intangible assets	-	-	-	228,366	(87,667)	140,699
Property, plant and equipment	73,106	-	73,106	62,091	-	62,091
Right-of-use assets	-	133,406	133,406	-	87,667	87,667
	73,106	133,406	206,512	290,457	-	290,457
Current assets						
Trade and other receivables	698,034	-	698,034	720,561	-	720,561
Cash and cash equivalents	1,647,045	-	1,647,045	309,152	-	309,152
	2,345,079	-	2,345,079	1,029,713	-	1,029,713
Total assets	2,418,185	133,406	2,551,591	1,320,170	-	1,320,170
Current liabilities						
Trade and other payables	559,747	(10,735)	549,012	701,414	(107,324)	594,090
Lease liabilities	-	36,817	36,817	-	54,484	54,484
Total current liabilities	559,747	26,082	585,829	701,414	(52,840)	648,574
Non-current liabilities						
Trade and other payables	85,608	-	85,608	85,608	-	85,608
Lease liabilities	-	107,324	107,324	-	52,840	52,840
Borrowings	-	-	-	-	-	-
Total non-current liabilities	85,608	107,324	192,932	85,608	52,840	138,448
Total liabilities	645,355	133,406	778,761	787,022	-	787,022
Net (liabilities) / assets	1,772,830	-	1,772,830	533,148	-	533,148
Equity						
Called up share capital	132	-	132	133	-	133
Share premium account	5,537,476	-	5,537,476	6,287,476	-	6,287,476
Share based payment reserve	-	-	-	136,534	-	136,534
Retained earnings	(3,764,778)	-	(3,764,778)	(5,890,995)	-	(5,890,995)
Total equity	1,772,830	-	1,772,830	533,148	-	533,148

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