Focused on delivering

Annual report and accounts 2016

OxfordBioMedica

Introducing Oxford BioMedica

Oxford BioMedica is a pioneer of gene and cell therapy with a leading position in lentiviral vector and cell therapy research, development and production. Gene and cell therapy is the treatment of disease by the delivery of therapeutic DNA into a patient's cells. This can be achieved either *in vivo* (referred to as gene therapy) or *ex vivo* (referred to as cell therapy), the latter being where patients' cells are genetically modified cells outside the body before being re-infused.

Great potential

Gene and cell therapy has the potential to transform medicine, providing long term and potentially curative treatment options for a wide range of diseases. We expect several therapies, especially *ex vivo* cell therapy treatments such as Novartis's CTL019 that we are involved with, to be launched within the next few years.

At Oxford BioMedica our goal is to build a sustainable and profitable biopharmaceutical company for our shareholders through the successful development and commercialisation of breakthrough gene and cell-based medicines that improve the lives of patients. We are doing this by exploiting our LentiVector® platform to develop our own products and to build partnerships with other companies working with lentiviral vector products.

Our company

Oxford BioMedica has 20 years of experience in the field of gene and cell therapy and we were the first organisation to treat humans with *in vivo* lentiviral based vectors. Today, we have built our LentiVector® platform of exclusive cutting-edge technologies and capabilities with which we design, develop and produce gene and cell-based medicines for ourselves and for our partners.

We already have product-related partnerships with Novartis, Immune Design, Orchard Therapeutics, licensed products and technology rights to Sanofi and GSK, and a R&D collaboration with Green Cross LabCell.

And we have our own proprietary pipeline of gene and cell therapy products addressing neurodegenerative and ocular diseases and a range of cancers, for which there are either no treatments or where therapy remains inadequate.

Delivering

Gene and cell therapy at a glance

- The use of DNA to treat diseases by delivery of therapeutic DNA into patients' cells
- Expected to grow into a multi–billion US$ sector over the next few years
- Ex vivo cell therapy treatments leading the way
- Strimvelis, GSK's ex vivo stem cell therapy for rare disease ADA–SCID, received Europeans market authorisation in May 2016
- FDA approval of CAR–T therapies products expected in 2017
- Large growth in lentiviral vector based clinical trials over the last few years

Oxford BioMedica at a glance

- World-leading LentiVector® delivery platform for gene and cell therapy, built on 20 years of experience
- State-of-the-art laboratories and three GMP clean room suites
- Ideally placed to benefit from growth in *ex vivo* cell therapy development
- Rapidly growing revenue-generating business
- Financial interest in diverse range of gene and cell therapy products
- Proprietary product pipeline and royalty interests in partners'products
- Partnerships and collaborations with Novartis, Immune Design, Orchard Therapeutics and Green Cross LabCell
- Products and IP licenced to Sanofi and GSK
- Manufacturer of lentiviral vector for Novartis's CTL019 therapy for (r/r) paediatric ALL
- R&D investment in LentiVector® platform technology and product concepts

Sector overview
Gene and cell therapy

The gene and cell therapy sector

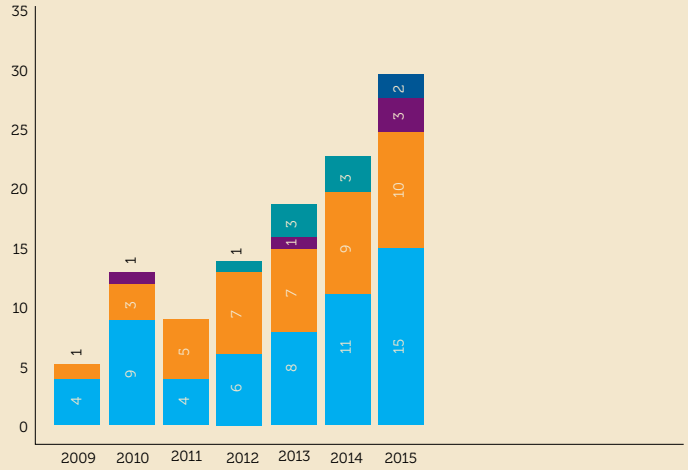
The field of gene and cell therapy holds significant promise, with the first commercial products now launched and others rapidly approaching the market. The gene and cell therapy market has the potential to grow into a multi-billion dollar sector and Oxford BioMedica has the expertise with lentiviral vectors to benefit from this opportunity.

Gene and cell therapies use viral vectors to deliver genetic payloads into patients' cells. Cells can be treated both *in vivo* and *ex vivo*. The two most commonly used viral vector families are lentiviral vectors and adeno-associated viruses (AAV). Lentiviral vectors have two important advantages over AAV:

— Unlike AAV, lentiviral vectors integrate into the DNA of target cells so that the genetic payload will replicate as cells divide. This is important for *ex vivo* therapies

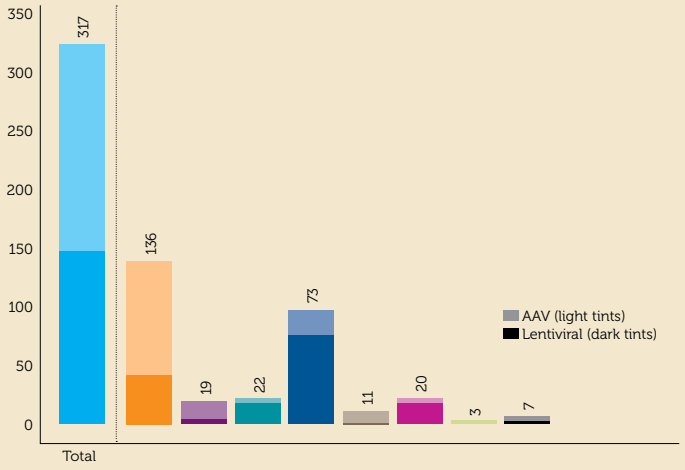
— Lentiviral vectors can carry around twice as much genetic payload compared with AAV, which means they can treat a wider range of diseases and genetic disorders

There was a significant increase (30% year-on-year) in the number of new lentivirus clinical trials initiated during 2015. This was also reflected in a significant increase in lentiviral vector cancer clinical trials underway, especially with *ex vivo* CAR-T therapies. *Ex vivo* therapies require integrating vectors and lentiviral vectors are the preferred choice for much of the current product development in the sector. There are 135 *ex vivo* lentiviral vector clinical studies underway as described in the Journal of Gene Medicine. It is expected that several *ex vivo* products in late stage clinical development such as Novartis's CTL019 and Kite Pharma's KTE-C19 will reach the market during 2017.



Initiated lentiviral vector clinical trials by year and phase

Source: Journal of Gene Medicine, August 2016



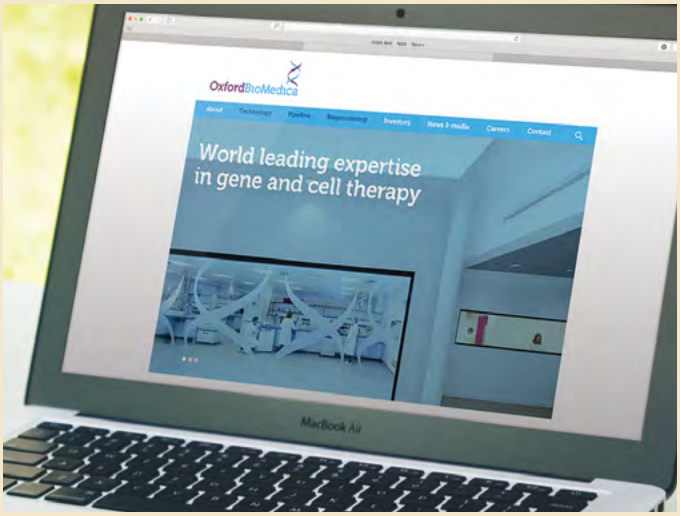
Gene therapy clinical trials with AAV or lentiviral vectors

Total number of clinical trials

Monogenic (AAV 95, Lenti 41)
Ocular (AAV 15, Lenti 4)
Neurological (AAV 18, Lenti 4)
Cancer (AAV 21, Lenti 74)
Cardiovascular (AAV 10, Lenti 1)
Infectious (AAV 4, Lenti 18)
Inflamatory (AAV 3, Lenti 0)
Others (AAV 5, Lenti 2)
Total (AAV 173, Lenti 144)

Source: Journal of Gene Medicine, August 2016

The first gene therapies have been approved in Europe. In 2012 Glybera was approved; an *in vivo* treatment for lipoprotein lipase deficiency (LPLD), a rare inherited disorder which can cause severe pancreatitis. More recently in 2016 Strimvelis was approved, the first *ex vivo* stem cell gene therapy to treat patients with a very rare disease called ADA-SCID (Adenosine Deaminase Severe Combined Immunodeficiency). In 2017 it is expected that the US FDA will approve the first CAR-T therapies for the treatment of blood cancers.



Further information on the sector can be found on the Group's website at oxfordbiomedica.co.uk

Sector overview
LentiVector® delivery platform

World-leading LentiVector®gene delivery platform

During 2016, Oxford BioMedica continued to make good operational progress in developing and exploiting its integrated LentiVector® gene delivery platform. The platform is the product of over 20 years' research and development, and brings together a unique combination of patents and know-how, world-class bioprocessing facilities and an expert workforce. This world-leading position provides a foundation for both Oxford BioMedica and its partners to discover and develop novel gene and cell therapies, targeting conditions without current treatments or with significant unmet clinical need.

The Group's LentiVector® platform provides a number of important advantages over other gene delivery systems. Notably, lentiviral vectors have a large payload capacity and integrate into the nucleus of target cells, allowing maintenance of the beneficial genetic payload when the target cells divide. As a result, the rapidly expanding cell therapy sector is increasingly recognising the strengths of the LentiVector® platform, and the Group has already established several partnerships with leading companies in the field. These generate significant revenues by providing collaborators access to Oxford BioMedica's intellectual property, process development expertise and bioprocessing facilities. In addition, the Group has used its LentiVector® platform to discover and advance a number of pipeline products.

Example of *in vivo* gene therapy

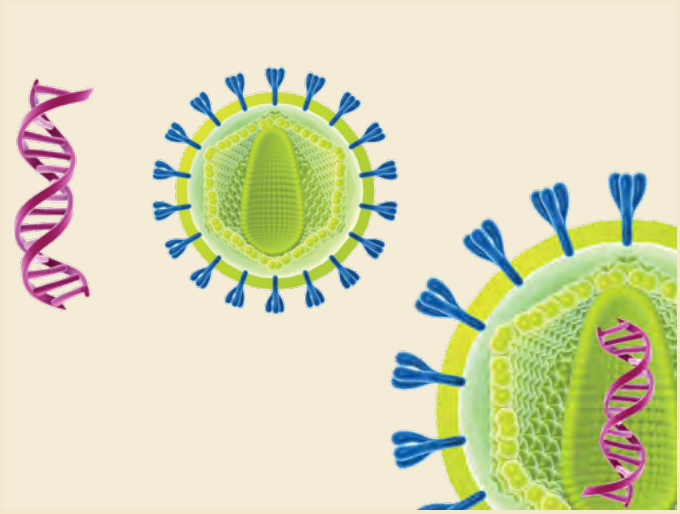
OXB-201 gene therapy treatment for "wet" age-related macular degeneration (Wet AMD)

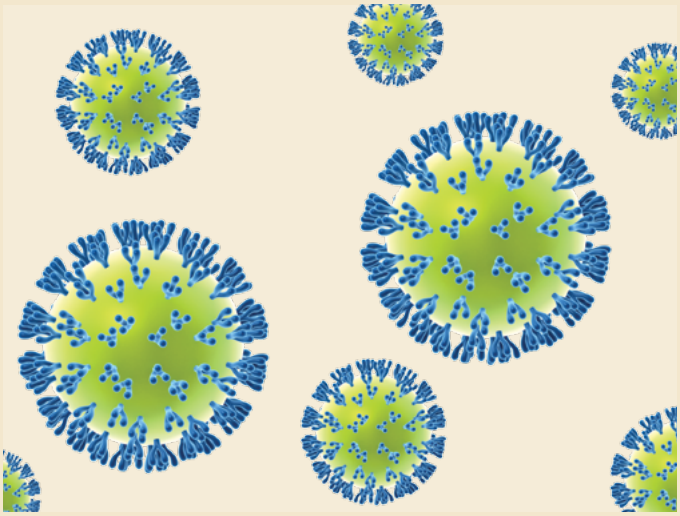
01. Therapeutic gene expression cassette
The therapeutic genes that need to be delivered to the target cell to treat the disease are engineered into the vector genome. In the case of OXB-201, two genes need to be delivered to the cells in the eye

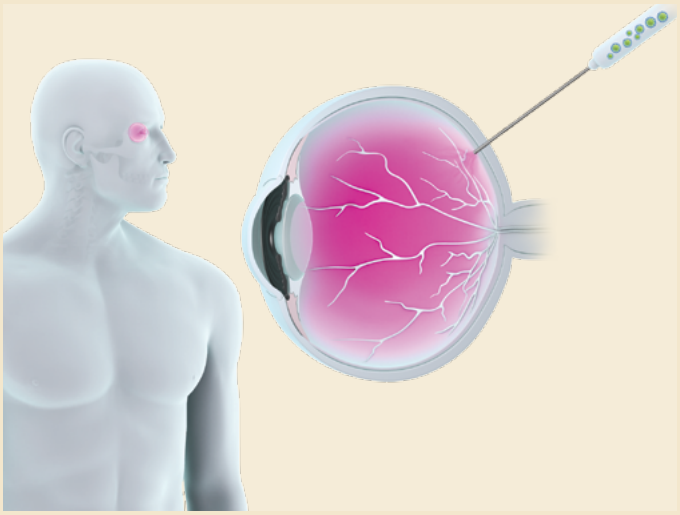
02. Making a safe vector from a virus
To make a safe vector system the viral genes are removed; this also creates space for the therapeutic vector payload

03. Lentiviral vector generation
High quality lentiviral vector product is produced under GMP conditions at large scale suitable for use in the clinic

04. OXB-201 is administered to the target tissue
The lentiviral product is injected sub-retinally to the eye





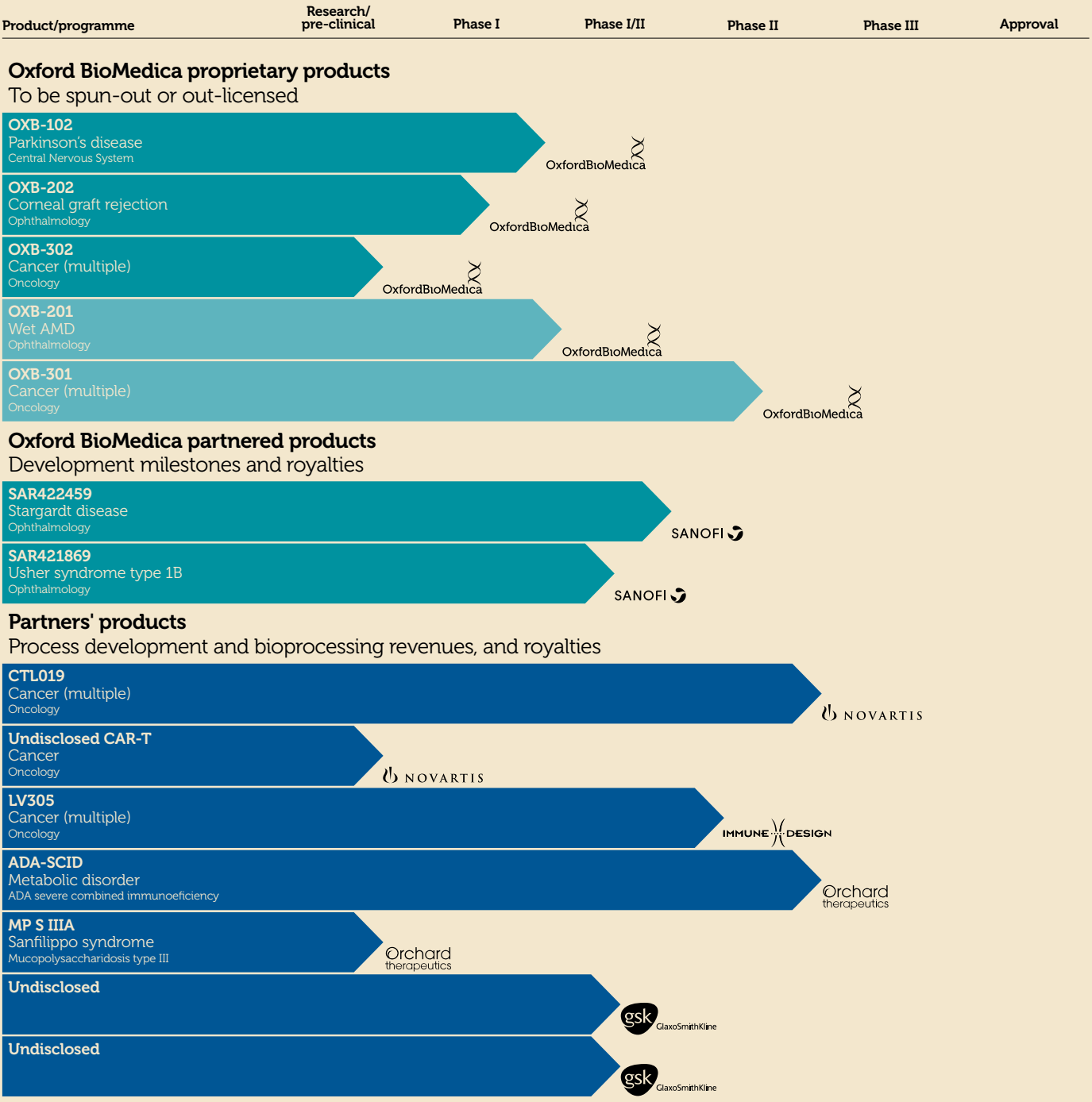


To see other examples of how our LentiVector® delivery system works see our website: oxfordbiomedica.co.uk/lentivector

Products

Product pipeline

We are working on several internal product candidates and have interests in an expanding range of partner programmes



Our business model

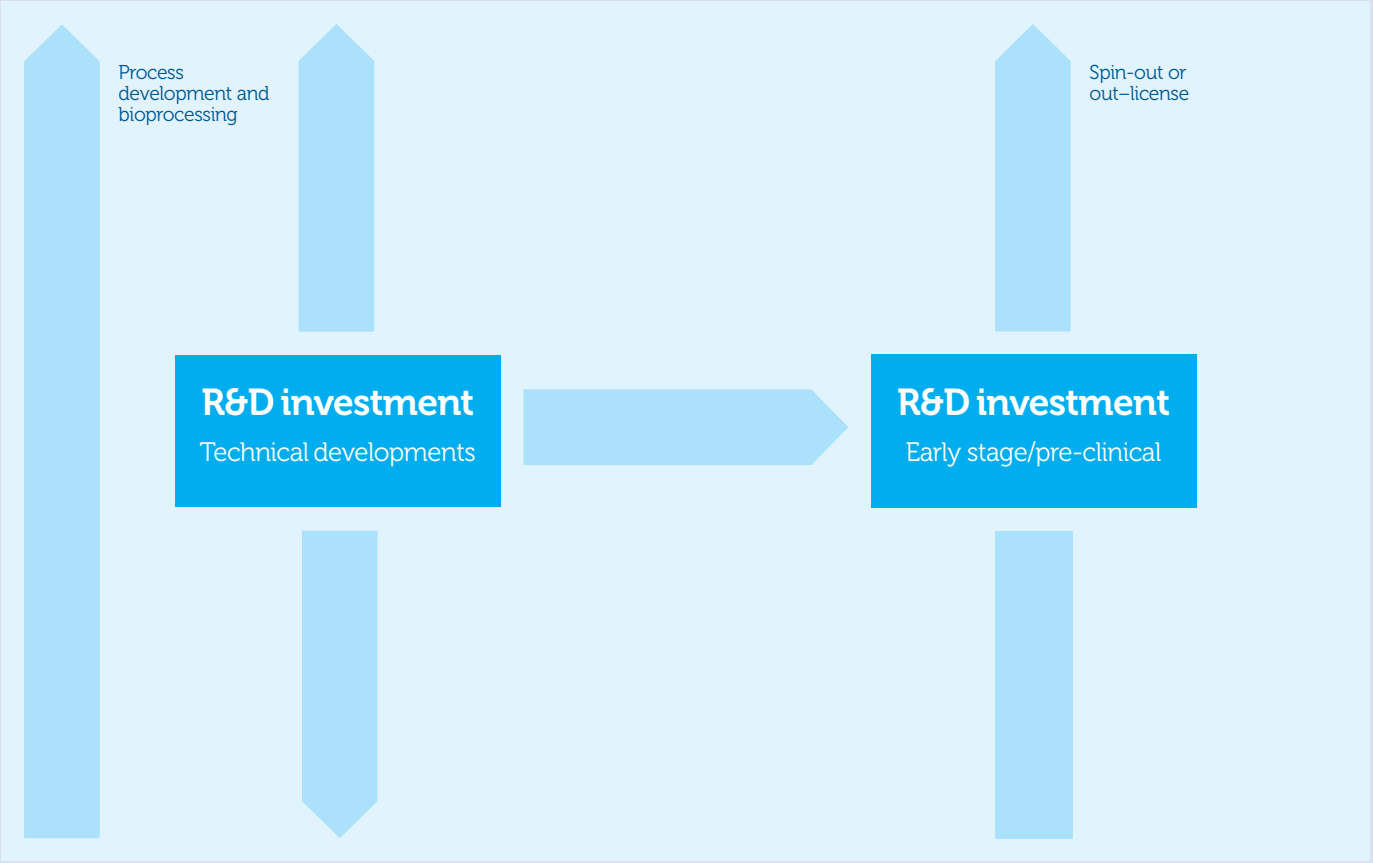
Partners' programmes

Multiple income streams

Process development fees | process development incentives | bioprocessing revenues | royalties

OXB products via spin-out or out-license

Development milestones | royalties bioprocessing revenues



LentiVector® platform

IP – patents and know-how | facilities | expertise | quality systems

Our business model and strategy

Our business model is built on our world-leading LentiVector® gene delivery platform and is the result of over 20 years of pioneering science and process development using lentiviral vectors, initially for *in vivo* therapies. Oxford BioMedica was the first organisation globally to use lentiviral vectors in an *in vivo* setting and therefore we had to design and develop vectors and manufacturing processes which would be both safe and effective. This work was the foundation of our unique combination of skills, patents and know-how which, together with our GMP clean room and laboratory facilities, combine to form our LentiVector® platform.

Lentiviral vectors are key components of many promising new gene and cell therapies, and so our LentiVector® platform provides us with opportunities to generate short-and longer-term value through:

In-house development

We have our own portfolio of LentiVector® platform gene and cell therapy product candidates. During 2016, we decided that clinical studies for these candidates will be developed with third party finance, using either out-licensing or by spinning out the programmes into one or more special purpose vehicles (SPVs). This will significantly reduce the cost and risk associated with clinical development while providing us with potential equity stakes in the SPVs and/or potential upfront, milestone and royalty payments as well as bioprocessing and process development revenues. We will however continue to invest in early stage product concept development and pre-clinical studies with a view to building a pipeline of candidates ready for clinical studies.

Partnering

We can provide our bioprocessing and process development expertise and facilities to third parties who want to accelerate the development of their own lentiviral vector programmes, in return for which we receive short-and medium-term revenues and longer-term royalties based on licences to our extensive know-how, as well as our patents.

Freedom-to-operate licensing

We can provide other organisations with licences to use our important patents relating to lentiviral vector safety features and manufacturing efficiencies.

The graphic opposite illustrates our business model. The foundation is our world-leading LentiVector® platform and our goal is to exploit this by gaining interests in a diverse range of gene and cell therapy products which can be both internally generated and as a result of our relationship with partners and collaborators.

The platform technology is still some way from being fully mature so we are continuing to invest R&D funds in improving the technology to retain our leading position as this is what attracts other companies to work with us.

Principal risks facing the business

The principal risks facing the business, including how they are managed and mitigated, are set out in detail on pages 34 to 39. The main risks are:

- Risks associated with pharmaceutical product development including product safety issues, lack of efficacy and failure to obtain regulatory approval
- Risks to our bioprocessing revenue from failure to manufacture lentiviral vector to the required standard
- Exposure to one or more of our partners ceasing to develop their products and thereby no longer requiring our services
- Financial risks including inability to maintain funding for the Group and failure to comply with the terms of the Oberland loan facility
- Failure to out-license or spin-out the Group's priority product development candidates so that development stops
- Inability to attract and/or retain highly skilled employees

Delivered in 2016
Operational highlights

Leading LentiVector® delivery platform for gene and cell therapy partnerships

— Novartis collaboration progressing well with blockbuster potential product CTL019 close to market and second undisclosed CAR-T programme

— Strategic alliance established with Orchard Therapeutics to develop and supply lentiviral vectors for *ex vivo* treatments

— Immune Design collaboration expanded, including licence to use lentiviral vector-based products for *in vivo* treatments for cancer

— New R&D collaboration with Green Cross LabCell focused on gene modified natural killer (NK) cell-based therapies

— 200 litre bioreactor production process established at commercial scale with potential to increase yield substantially and reduce cost of a patent dose

— Transgene Repression in vector Production (TRiP) system developed to enhance the production titres of a broad range of gene therapy vectors

State-of-the-art bioprocessing and laboratory facilities

— Major capacity expansion completed

— MHRA approval granted for GMP vector manufacture

— Vector production volume increased by 54% compared with 2015

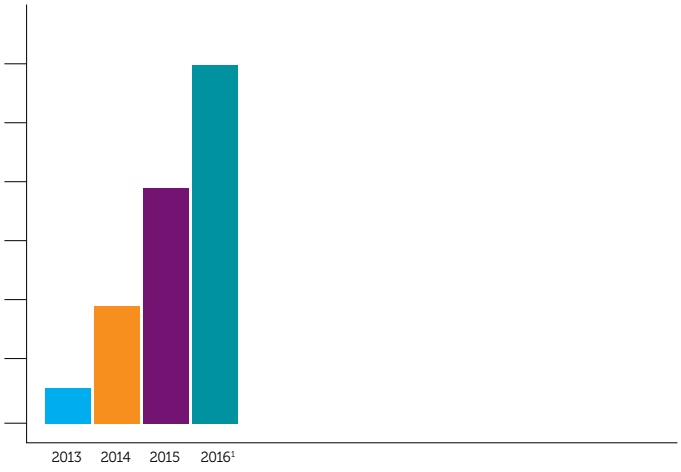
Progress with proprietary product development

— Ground-breaking long-term results seen from follow-up studies of patients treated with OXB-101 (for Parkinson's disease) and OXB-201 (for wet AMD)

— OXB-102 (for Parkinson's disease) and OXB-202 (for corneal graft rejection) ready to start Phase I/II studies following out-licensing/spin-out

— OXB-302 (for solid cancer tumours) pre-clinical proof-of-concept achieved and ready for further development following out-licensing/spin-out

— SAR422459 (licensed to Sanofi for Stargardt disease) in Phase II development



Bioprocessing volumes
[1] 2016 excludes next generation bioreactor output

Delivered in 2016
Financial highlights

+64%
Gross income[1]
Gross income increased by 64% to £30.8 million (2015: £18.8million)

£5.1m
Net cash used in operating activities
Reduced to £5.1 million from £13.1 million in 2015

+4%
Operating expenses[3]
Operating expenses increased by 4% to £26.1 million (2015: £25.1 million)

£6.5m
Capital expenditure
Capital expenditure £6.5 million (2015: £16.7 million)

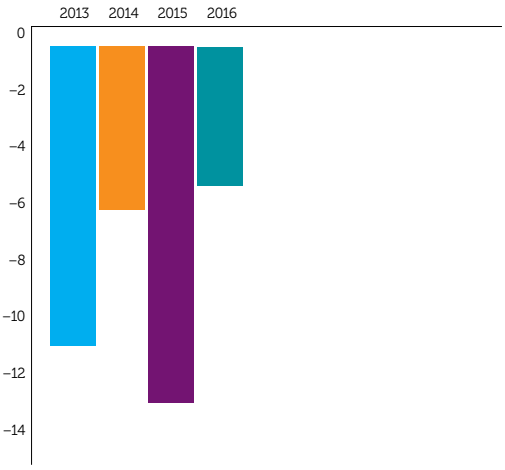
£7.1m
EBITDA[2] loss (year)
EBITDA loss reduced to £7.1 million (2015: £12.1 million)

£15.3m
Cash
Cash of £15.3 million (31 December 2015: £9.4 million) including $10 million (£8.1 million) ring-fenced under Oberland loan agreement

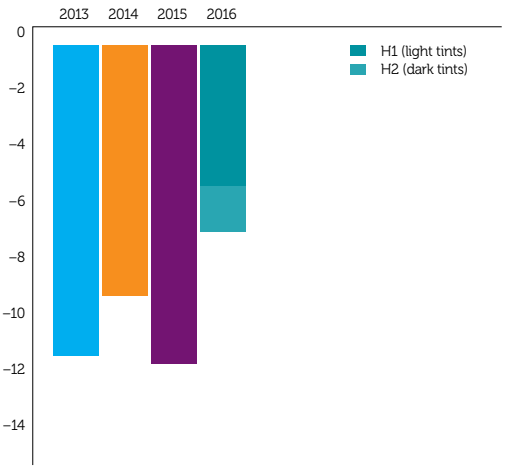
£1.9m
EBITDA[2] loss (six months)
EBITDA loss in second six months reduced to £1.9 million (2015: £4.7 million)

£17.5m
Fundraising
Fundraising of £17.5 million net (£7.5 million in February and £10 million in September 2016)

£11.3m
Operating loss
Operating loss £11.3 million (2015: £14.1 million)



Cash used in operations
£m



EBITDA loss
£m

Key financial indicator definitions (non-GAAP Alternative Performance Measures)
1 Gross income is the aggregate of Revenues and Other operating income (p23)
2 EBITDA is Earnings Before Interest, Tax, Depreciation, Amortisation and share based payment (p24)
3 Operating expenses is Research, Development and Bioprocessing costs plus Administrative costs less Depreciation, Amortisation and share based payments (p24)

Chairman's statement

Dr. Lorenzo Tallarigo
Chairman

A year after joining Oxford BioMedica as Chairman, I am pleased to report that the Group has made good progress in reviewing and refining its strategy and advancing its operational activities. With the continued support of shareholders, the Group is progressing towards its goal of becoming a financially robust gene and cell therapy business.

Strategy

The field of gene and cell therapy holds significant promise, with the first commercial products now launched and others rapidly approaching the market. The gene and cell therapy market has the potential to grow into a multi-billion dollar sector and Oxford BioMedica has the expertise with lentiviral vectors to fully benefit from this opportunity.

During the first few months of 2016 the Board and management team reviewed the Group's strategy in the light of the evolution seen in the business and the sector since we signed the Novartis contract in 2014. I reported the results of this review in my statement in the 2015 annual report – the key conclusions were that the Group has an outstanding gene delivery platform (LentiVector®) which can be used to develop our own gene and cell therapy products and also to assist in the development of third party products in exchange for revenues from process development, bioprocessing and IP-related royalties.

During the summer months we further refined the strategy. Taking into account the balance of risk and reward, given the substantial investment required over the next two to three years to conduct the Phase I/II studies and future development work for Phase III and commercialisation, we decided that the optimal way forward for the priority clinical product candidates is to spin them out into one or more product-focused special purpose vehicles (SPVs) with dedicated externally-sourced funding, or to out-licence them. This approach will ensure that the Group's priority clinical assets (OXB-102 for Parkinson's disease, OXB-202 for corneal graft rejection, and OXB-302 a CAR-T cell approach to targeting solid tumours) are advanced using external funding whilst capturing value via a potential combination of upfront payments and/or equity stakes, development milestones and royalties.

This strategy provides the right balance for our shareholders as the Group will have exposure to multiple products in the rapidly advancing gene and cell therapy field with the potential for significant economic upside. Concurrently, operational costs will be covered by revenues from bioprocessing work with partners, while using external funding for our priority development programmes will greatly reduce the Group's R&D expenditure. As a result, the Group's risk/reward profile will be closely managed and economic interests in the future success of exciting high-value new therapies will be retained.

Operational progress

Operationally the Group has made good progress during the year, providing Oxford BioMedica with world-leading, state-of-the-art gene therapy facilities. The major expansion of the bioprocessing and laboratory facilities was completed by mid-year and the necessary regulatory approvals for the manufacture of clinical grade lentiviral vectors have been received. As a result of this, the Group has now fully relocated its headquarters from the Medawar Centre, which had been the Group's headquarters for the past twenty years, to Windrush Court.

The Group continues to supply lentiviral vector to Novartis for its CTL019 clinical studies with production volumes increasing over the course of 2016 as our new facilities started production. Following impressive results of the ELIANA clinical study in r/r paediatric ALL patients, announced by Novartis in December 2016, Novartis indicated its intention to submit CTL019 for approval by the FDA in early 2017 and we look forward to continuing to supply vector to them.

The potential of our strategy and business model has already seen results with new partnerships and collaborations announced during 2016. Finally, we have made steady progress in preparing our priority product candidates for entry into clinical studies and we are encouraged by the significant interest shown from third parties wishing to invest in the next stage of development of these products.

Building financial resilience

I am very grateful to our existing and new shareholders who helped us to raise £17.5 million (net of expenses) during the year. The Group has substantially grown its revenues over the past three years and the operational cash burn has been reducing in parallel. The Board and management team are determined to fully utilise the expanded facilities to continue to grow the revenues to a point where the Group generates positive cash flow making it more financially robust.

Board changes and organisation

I was delighted to join the Group as Chairman in early 2016 and I thank Nick Rogers, the outgoing Chairman, for his contribution to the Group over many years and also for his support during the three-month transition period. The Board was strengthened with the appointment of a new non-executive director and Audit Committee Chairman, Stuart Henderson, who has many years' experience of the healthcare and life sciences sectors from his time as an audit partner at Deloitte and Arthur Andersen. Daniel Soland and Paul Blake stepped down from the Board during the year and we recently announced that Tim Watts is retiring from executive roles and will leave the company and the Board in September 2017. The Board thanks all of them for their valuable contributions. Tim Watts will be succeeded by Stuart Paynter who will join the Company in August 2017.

I would also like to recognise and thank all the Group's employees for the outstanding contribution they have made which I know has demanded a huge effort. It is always the case that the success of an organisation depends first and foremost on its people and Oxford BioMedica is no exception to this.

Outlook

I look forward to 2017 with confidence that it will be a successful and important year for the Group. We are pleased to be supporting Novartis's breakthrough therapy, CTL019, which they believe is a potential blockbuster product. We hope that it will be approved and launched in the USA this year. I also believe that our other current partnership programmes will progress well and that we will be able to announce other similar collaborations that will help make the business model even more robust. I expect that we will find ways to advance our own priority programmes in a way that creates value for shareholders at an acceptable level of risk. By the end of 2017, I anticipate that the Group will have grown its partnerships and revenues significantly and that our own priority product candidates will be making progress with funding from third parties.

Dr. Lorenzo Tallarigo
Chairman

Chief Executive's statement

John Dawson
Chief Executive Officer

Building a successful gene and cell therapy business

In his Chairman's statement on page 12, Lorenzo has explained our strategy and how it developed during 2016. Our business model is fundamentally built on our world-leading LentiVector® gene delivery platform, which is the result of over 20 years of pioneering science in the lentiviral vector field. Oxford BioMedica was the first organisation of any kind to administer lentiviral vectors *in vivo*, meaning that we had to solve many technical challenges to ensure that the vector we administered would be safe and sufficiently purified and concentrated to be effective. These experiences helped to give us the lead we have today. Lentiviral vectors are key components of many promising new gene and cell therapies, and so our LentiVector® platform provides us with opportunities to generate short- and longer-term value through:

— In-house development: we have our own portfolio of LentiVector® platform gene and cell therapy product candidates. During 2016, we decided that clinical studies for these candidates will be developed with third party finance, using either out-licensing or by spinning out the programmes into one or more special purpose vehicles. This will significantly reduce the cost and risk associated with clinical development while providing us with significant equity stakes and/or potential upfront, milestone and royalty payments as well as bioprocessing and process development revenues. We will continue to invest in early stage product concept development and pre-clinical studies with a view to maintaining a pipeline of candidates ready for clinical studies.

— Partnering: we can provide our bioprocessing and process development expertise and facilities to third parties who want to accelerate the development of their own lentiviral vector programmes, in return for short-and medium-term revenues and longer-term royalties based on licences to our extensive know-how, as well as our patents.

— Freedom-to-operate licensing: we can provide other organisations with licences to use our important patents relating to lentiviral vector safety features and manufacturing efficiencies.

Advancing our business

During 2016, we have made significant progress in these areas of our business. The two-year programme to expand our bioprocessing and laboratory facilities has been essential to the delivery of the Novartis contracts and to our strategy of building a revenue-generating and financially robust business. The expansion programme lasted from October 2014 to June 2016 with a £26 million capital investment. We now have two clean rooms, previously only one, in our Harrow House facility in Oxford and a third clean room at our Yarnton site just outside Oxford. We acquired Windrush Court in October 2014 and re-developed it to include a suite of state-of-the art biological laboratories which are large enough to handle the analysis of increasing volumes of vector manufacture and also the process development for our partners and our own technology development requirements. These facilities were all approved by the UK regulator in 2016. The increased capacity is leading to significant growth in our revenues with gross income rising to £31 million in 2016 from £19 million in 2015.

To date much of these increasing revenues come from our relationship with Novartis but we are already starting to diversify our revenues by working with more partners. I am proud that we are supporting Novartis in bringing to the market by supplying the lentiviral vector needed for their clinical studies, assisting them in preparing the application for approval of CTL019 for r/r paediatric ALL and in developing the next generation of vector manufacturing processes.

We have also expanded our relationship with Immune Design and signed new partnerships and collaborations with Orchard Therapeutics and Green Cross LabCell. These demonstrate the power of our technology and the business model at work and discussions are underway with several other potential partners. We are determined to keep our leading position in lentiviral vector technology and we are therefore continuing to invest in R&D activities in this field.

We have decided that the optimum way to advance our product candidates which are ready to enter clinical studies is to reduce the financial risk to the Group by out-licensing or spinning them out into special purpose vehicles (SPVs). The intention with SPVs is that the Group will contribute the product and related IP to the SPVs with third parties contributing the necessary funding to carry out Phase I/II clinical studies. We would expect to own a substantial proportion of each SPV.

I am pleased to report that our priority product candidates are all close to the point where they could enter clinical studies subject to the right funding model. We have already seen significant interest from both pharmaceutical companies and venture capitalists in our product candidates and I am confident that we will report progress with this in 2017. Since our LentiVector® platform has the potential to generate new gene and cell therapies, we intend to continue to invest in discovery research and pre-clinical product concepts to the point of being ready for clinical studies and potential spin-out or out-licensing.

A promising future

In the coming year we intend to build on the progress of 2016. The progress of our Novartis collaboration underlines our credibility and strengthens our position as a partner-of-choice in this rapidly developing field. We anticipate Novartis reaching a significant milestone in the coming year, with the approval and launch of CTL019, for r/r paediatric ALL, representing the first ever launch of a therapeutic product incorporating our LentiVector® technology and leading to further bioprocessing revenues and a new royalty stream. Our recent agreement with Orchard Therapeutics for the development of cell therapies for life-threatening immune deficiency and metabolic disorders highlights the increasing industry demand for our proprietary lentiviral vector technology and I look forward to establishing further partnerships. In addition, we are focused on making progress in out-licensing or spinning out our in-house priority product candidates, allowing them to move quickly through clinical development to benefit both patients and shareholders.

Following a number of years of steady progress, we have built an enviable leadership position in the field of gene and cell therapy. With world-class facilities, unrivalled intellectual property and an exciting pipeline products, I look forward to accelerating the progress in each area of the Group in 2017 as we move closer towards our goal of becoming a self-sustaining, world-class gene and cell therapy company.

John Dawson
Chief Executive Officer

2016 performance review
Products

Products

The pipeline on page 5 shows the diverse range of products in which the Group has some formof financial interest. These include the Group's proprietary products, the products which the Group has licensed to Sanofi, and partners' products for which the Group is providing process development and bioprocessing services and/or has long term royalty interests.

Advancing our in-house products

During the first half of 2016, the Group concluded a review of its in-house portfolio to prioritise the product candidates with the most compelling value propositions based on risk, probability of success and reward. While highly promising, these priority products will require significant financial resources to progress through clinical studies in the coming years. Therefore, Oxford BioMedica is now pursuing an external funding strategy to advance their clinical-stage development through out-licensing or spinning out the assets into special purpose vehicles (SPVs) which could be funded by third parties. This approach will allow the Group to retain significant economic interest while removing the financial commitment associated with further development.

In recent months, the Group's three priority candidates OXB-102, OXB-202 and OXB-302 have continued to progress. The Group has entered discussions with a number of third-parties regarding potential out-licensing/spin-out, and if these are successful all three products are well positioned to move into the clinic.

OXB-102 targeting Parkinson's disease

Parkinson's disease affects over 1.7 million people in the US, Japan and EU alone, and it is a significant unmet medical need. Oxford BioMedica's second generation gene therapy targeting the disease, OXB-102, encodes three enzymes in the dopamine biosynthetic pathway and is designed for delivery as a single treatment directly into a key region of the brain implicated in Parkinson's disease. OXB-101 (ProSavin®), the Group's first generation approach, showed very encouraging efficacy and four-year duration in a Phase I/II clinical study which provides great encouragement for OXB-102. OXB-102 has delivered compelling proof-of-concept results in a 'gold standard' model of Parkinson's disease indicating potency 5-10 times greater than OXB-101, and the Group has completed manufacturing of GMP clinical study material in preparation for the next stage of development. The Group has been working on appropriate regulatory approvals for a planned three cohort Phase I/II study to be conducted in Cambridge and London, UK and Paris, France.

OXB-202 targeting corneal graft rejection

The cornea is one of the most successfully transplanted tissues but a significant number are rejected due to neovascularisation. Currently, approximately 100,000 transplants are performed each year, and this is predicted to increase significantly. Oxford BioMedica's gene therapy, OXB-202, genetically modifies the cornea using the LentiVector® platform to express two anti-angiogenic proteins that inhibit neovascularisation following transplant. This gene therapy has achieved impressive proof-of-concept results showing significantly reduced neovascularisation in a corneal rejection model. The Group has been working on appropriate regulatory approval for the initiation of a Phase I/II clinical study in the UK.

OXB-302 (CAR-T 5T4) targeting a range of cancers

Most solid tumours and a number of haematological malignancies express the 5T4 oncofoetal antigen, while its profile is highly restricted on normal tissues. This makes the antigen an attractive therapeutic target, and Oxford BioMedica's cell therapy, OXB-302, is designed to destroy cancer cells expressing the antigen. OXB-302 is based on a modified autologous T-cell that is engineered using a lentiviral vector to express a chimeric antigen receptor (CAR) targeting 5T4. When these CAR-T cells are infused into the patient they bind to the antigen, triggering normal immune mechanisms that kill the cancer cells.

OXB-302 has now completed pre-clinical studies which have demonstrated proof of concept in both *in vitro* and *in vivo* industry-standard models. Highlights from the studies include: the ability of 5T4 CAR-T cells to kill a wide range of 5T4-expressing tumour cell lines *in vitro;* the ability of T cells taken from patients with ovarian cancer to be re-programmed with the 5T4 CAR construct and respond functionally to their own tumour cells *in vitro* through the secretion of cytokines; and the ability of 5T4 CAR-T cells to control tumour cell growth in *in vivo* models. Further data will be presented in due course either at a conference or in a publication.

OXB-201 targeting 'wet' age-related macular degeneration (Wet AMD)

In May 2016, data was presented at the Association for Research in Vision and Ophthalmology (ARVO) conference demonstrating that lentiviral vector gene expression measured in the eyes of patients treated in the Phase I/II study continued without significant decline for more than four years. We believe this is the first time such longevity of expression has been shown and the data reinforce the benefits of the Company's pioneering LentiVector® gene delivery platform in the treatment of chronic conditions.

OXB-301 cancer vaccine
In February 2017 the clinical investigators leading the open-label Phase I/II clinical trial in 53 patients with advanced colorectal cancer (TaCTiCC) presented a poster at the American Society of Clinical Oncology and Society for Immunotherapy of Cancer (ASCO-SITC) symposium. The study findings demonstrated that significant anti-5T4 immune responses were generated at treatment day 43. Secondary analysis revealed that both low dose cyclophosphamide and OXB-301 (TroVax®) independently induced highly beneficial anti-tumour immune responses, resulting in significant survival of end stage colorectal cancer patients, without any major toxicity. This was the first randomised study to show a benefit of immunotherapy in advanced colorectal cancer patients.

Partnership products

By providing our partners with access to our LentiVector® gene delivery platform, Oxford BioMedica generates significant revenues while retaining the upside potential of milestone payments and royalties on future product sales. During 2016, the Group contributed to the progress of a number of partners' products towards the market:

Sanofi (SAR422459 and SAR421669)
Oxford BioMedica has previously licensed to Sanofi SAR422459, for the treatment of Stargardt disease, and SAR412669, for the treatment of Usher syndrome type 1B. These products have continued to make progress in their Phase I/II clinical studies. The Group has no further financial liability for the development of these products although it is supporting Sanofi with analysis of clinical study samples and is entitled to receive development milestone payments and royalties on future sales.

Novartis (CTL019)
Throughout 2016, the Group produced CTL019 batches for Novartis at our original Harrow House clean room and at our new facility at Yarnton. With significantly increased capacity now fully operational, production revenues have grown substantially compared to 2015. The Group also continued its process development activities for Novartis. In December 2016, Novartis announced the results of the ELIANA study which evaluated the efficacy and safety of CTL019 in relapsed/refractory (r/r) paediatric and young adult patients with B-cell acute lymphoblastic leukaemia (ALL). Novartis has indicated their intention to submit CTL019 for approval by the US regulatory authority in early 2017. Based on this the Group anticipates a potential launch in H2 2017, with further revenues from manufacturing batches of the lentiviral vector and royalties becoming receivable by the Group on product sales.

Immune Design (LV305)
In the first half of 2016, Immune Design expanded its collaboration with Oxford BioMedica to include a licence for the use of lentiviral vector-based products in the *in vivo* treatment and prevention of cancer. Immune Design is currently progressing gene therapy products targeting NY-ESO-1 expressing tumours with clinical development underway in a number of cancers, including soft tissue sarcoma.

Orchard Therapeutics (ADA-SCID, MPS III A)
The Group signed a new collaboration with Orchard Therapeutics focusing on the development of transformative gene therapies for patients with serious life threatening orphan diseases. Oxford BioMedica will initially develop and supply lentiviral vectors for two of Orchard Therapeutics' stem cell based treatments, targeting primary immune deficiency and metabolic disorders.

Discovery and pre-clinical

The Group will continue to invest in the identification and early-stage development of novel gene and cell therapy products based on the LentiVector® gene delivery platform. This approach is designed to provide an ongoing pipeline of next generation product candidates while also building new intellectual property to maintain Oxford BioMedica's leadership position in the gene and cell therapy field. The Group is currently investing in a number of product concepts including the new NK cell research and development collaboration with Green Cross LabCell. Where appropriate, the Group would also consider in-licensing suitable targets and technologies.

Bioprocessing

State-of-the-art commercial-scale facilities

During 2016, the Group completed its £26 million facilities expansion programme and obtained UK regulatory approval for GMP bioprocessing and analytical testing at its custom-built clean room production suites and state-of-the-art biological laboratories. The Group's GMP clean room footprint has increased three-fold to 1,200m^2.

The Group's expanded facilities are now fully operational, and provide capabilities for both current and next generation lentiviral vector production, as well as offering sufficient capacity for existing partners, future collaborations and in-house platform development work. During 2016, two clean room suites at the Group's Yarnton and Harrow House GMP bioprocessing facilities were dedicated to production for our partners. The third clean room suite, located at Harrow House which came into operation mid-year, has been used for the development of next generation processes designed to substantially improve bioprocessing yields and volume.

These production facilities are complemented by Oxford BioMedica's purpose-built laboratories at Windrush Court, which were approved by the UK regulatory authorities in July for analytical testing of GMP material. Following the completion of the expansion programme the Group has now moved out of its previous facilities at the Medawar Centre on the Oxford Science Park.

Next generation bioprocessing

Using its development expertise, Oxford BioMedica has successfully established a novel next generation lentiviral vector production process at commercial scale. This new process uses self-contained, single-use 200 litre bioreactors, greatly improving efficiency and increasing production capacity by approximately 600%. The serum-free, suspension cell line process boosts productivity, offering the prospect of significantly reduced cost per dose and substantially greater volumes allowing the possibility of developing therapies for indications requiring large doses of vector (e.g. liver or lung disease). This technological advance will allow Oxford BioMedica to address the industry's challenge of bridging clinical and commercial supply, thereby maintaining the Group's position as a partner-of-choice in the gene and cell therapy field.

2016 performance review
Intellectual property

Leveraging our industry-leading intellectual property

As an original pioneer of gene and cell therapy, we have a strong position in lentiviral vector intellectual property; in both patents and know-how. Between 2017 and 2023 many of the core patents will expire although we will still benefit from them over that period. However our extensive world-class know-how is now increasingly important to our business model. The know-how covers lentiviral vector optimisation, process development and manufacturing.

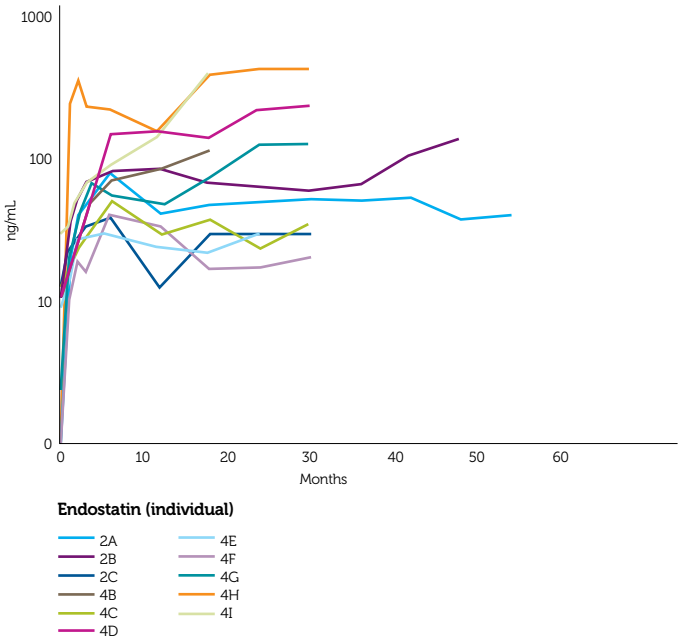
In 2016, we filed an international patent application for technology which increases vector yields and particle purity. The TRiP (Transgene Repression in vector Production) system represses the expression of transgene during the manufacturing process as this can adversely impact vector yield and purity.

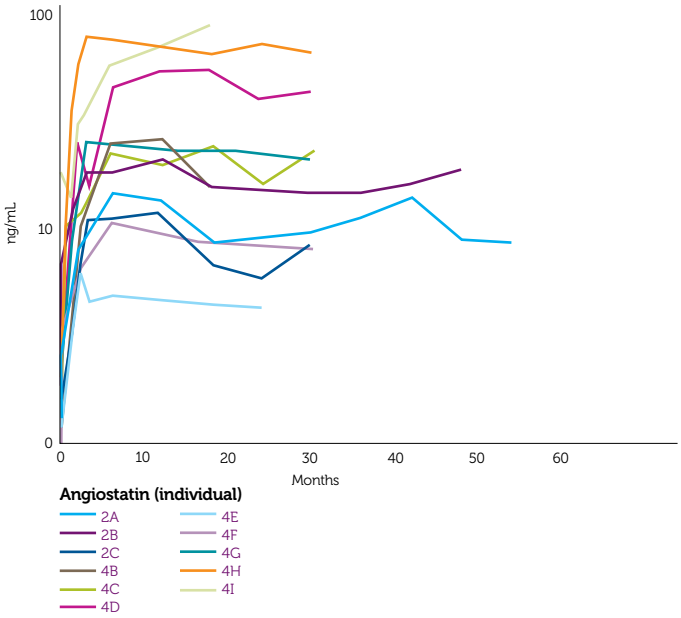
During 2016 we also announced new data from two clinical studies indicating ground-breaking long-term four-year sustained and, in one of the studies, dose-dependent gene expression with the Group's LentiVector® delivery platform.

In the Phase I/II study of OXB-101 for the treatment of Parkinson's disease (PD) 15 advanced stage patients were treated with OXB-101 in three dose cohorts and demonstrated a favourable safety profile and a significant improvement in motor function relative to baseline at six and 12 months post-treatment. The follow-up data, which was presented in May 2016 at the Annual Meeting of the American Society of Gene and Cell Therapy (ASGCT), showed that the majority of patients continued to experience improvement in motor function relative to baseline over the four years since treatment.

In addition, in May 2016 new data were presented at the Association for Research in Vision for OXB-201 for neovascular age-related macular degeneration (wet AMD) and Ophthalmology (ARVO) conference. The new data demonstrate that lentiviral vector gene expression is dose-dependent and continued without significant decline for more than four years. This is shown in the charts opposite.

We believe this is the first time gene therapy products have been directly measured in the eye and the longevity in both expression and efficacy to date reinforces the benefits of the Company's pioneering LentiVector® gene delivery platform in the treatment of chronic conditions.





LentiVector® Platform Evidence of Long-term Duration

- Long-term four year follow up data for OXB-201
- Dose responsive expression of proteins
- Long term follow up continues
- Persistent expression out to >4 years so far (ongoing)

Delivery of our 2016 objectives

Objectives set for 2016	Performance against priorities
Objective 1 **Proprietary product delivery** Discover and develop novel, and potentially single dose and/or curative, gene and cell therapies based on lentiviral vectors for patients with conditions where either no therapy exists, or where the current standard of care has significant limitations. In pursuing this objective, the Group will consider acquiring and in-licensing product opportunities, especially if potentially 'fast to market'.	Our objective at the start of the year was for OXB-102 (Parkinson's disease) to have started its Phase I/II clinical study and to have filed a clinical trial application for OXB-202 (prevention of corneal graft rejection). Following our decision announced later in the year to minimise the financial risk of these programmes by seeking third party finance for these clinical studies, these products have not progressed as far as we had intended. However they are in a state of near-readiness so that when we secure the third party finance they will be able to move forward promptly. OXB-302 has completed its pre-clinical studies and we intend to publish the results in 2017.
Objective 2 **Royalty bearing partnering** Capitalise on our bioprocessing facilities and skills, together with our lentiviral based vector expertise. In pursuing this objective, the Group will consider acquiring and in-licensing relevant technology, particularly in cell processing.	The goals were to complete the clean room and laboratory capacity expansion, secure further development and bioprocessing partnerships with associated IP licences, and deliver process development projects and bioprocessing volumes to our partners in line with our commitments. These goals have been met. The capacity expansion is complete, we have secured partnerships with two more companies (Immune Design and Orchard Therapeutics) and we have delivered in accordance with their requirements and those of Novartis. We continue to explore possibilities to acquire cell processing capabilities but have not yet found a suitable opportunity.
Objective 3 **Organisational effectiveness** To facilitate objectives 1 and 2 we need the whole organisation to be fully effective. This means having high calibre employees who are properly trained for their roles, supported by excellent processes and systems.	These targets were intended to ensure that we operate effectively as a larger company. In August 2016 we successfully implemented a new Enterprise Resource Planning (ERP) system which has enabled us to integrate our supply chain, purchasing, bioprocessing and finance processes and thereby have more robust control over these processes. We have continued to build the essential quality management systems necessary for the supply of GMP-grade lentiviral vector. We are audited from time to time by our customers and by the MHRA and ensure that we improve on any shortcomings that these audits reveal. We have also continued to improve our HR processes so that we can attract, develop and retain the high-calibre employees that the Group needs.
Objective 4 **Corporate delivery** Our aim is to generate returns for shareholders. Fundamentally this will be achieved through success with objectives 1 and 2 but it will also be helped by ensuring that the business is well-funded and has a broad shareholder base.	Through the two fundraise events in 2016, and also by reducing the cash burn, we have started to put the Group on a stronger financial base. We were also able to broaden the shareholder base with a number of new shareholders investing in the fundraising.

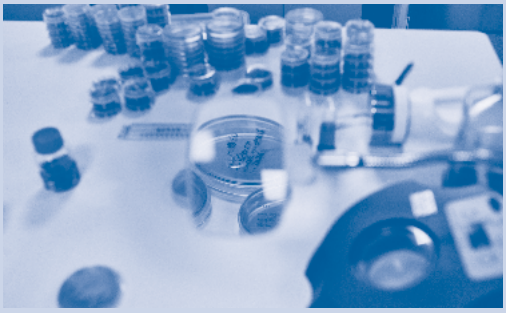
Objectives for 2017

Objectives set for 2017

Objective 1

Developing the LentiVector® platform

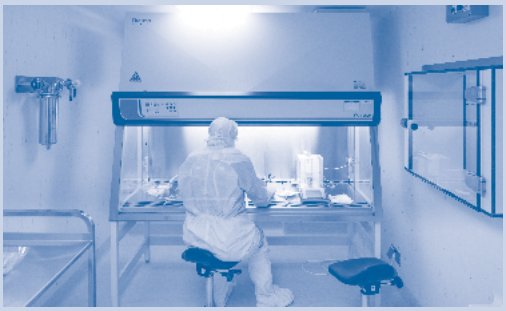
The LentiVector® platform is the fundamental base of our business and we therefore plan to continue to develop it to maintain the leadership position it gives us. Targets for 2017 include the use of our new 200 litre bioreactor process to manufacture viral vector for our partners, to secure regulatory approval to manufacture viral vector for commercial use, and several confidential process improvement targets.



Objective 2

Product development

Although the LentiVector® platform is the fundamental base of our business, ultimately value is derived from products. As we have previously announced, our intention is to reduce the financial risk of clinical stage product development while retaining significant financial interest in our priority programmes by out-licensing or spinning them out into SPVs funded by third parties. Our goal is to achieve this during 2017 for OXB-102, OXB-202 and OXB-302.



Objective 3

Business development

In 2016 we increased our product partners from one (Novartis) to three, with new and extended relationships with Orchard Therapeutics and Immune Design. We also established a R&D collaboration with Green Cross LabCell. In 2017 we intend to secure further revenue and royalty generating partnership relationships and build further on those we already have.

NOVARTIS

Orchard therapeutics

IMMUNE DESIGN

Green Cross LabCell

Objective 4

Corporate and organisational

The Board has set the management team certain confidential targets relating to the Group's financial performance and further organisational improvement objectives.

Financial review

Tim Watts
Chief Financial Officer

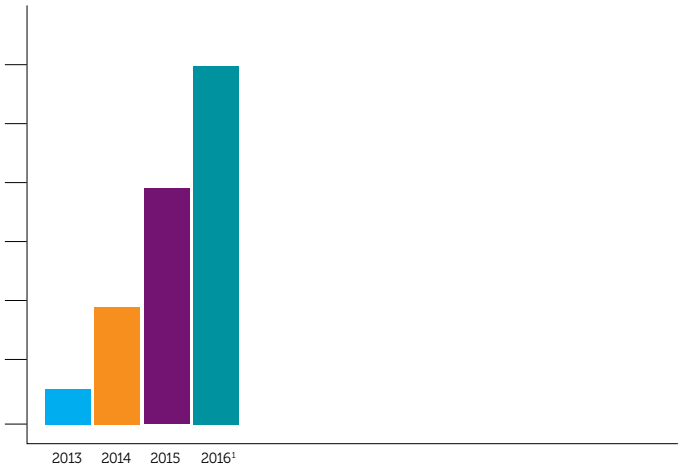
In 2016 we started to deliver the financial transformation of the Group. Gross income increased by 64% over 2015 and "EBIDA" losses (EBITDA adjusted by the R&D tax credit) were reduced from £8.1 million to £3.4 million.

The growth in gross income was enabled by our new bioprocessing and laboratory facilities coming online during 2016. During 2015, bioprocessing volume output was limited by having only our original GMP clean room suite in Harrow House operational. In 2016, we brought the second GMP clean room into operation at the start of the year, at our new Yarnton site, and the third suite (the second Harrow House suite) came on line mid-year at the same time as the new and larger laboratories in Windrush Court. This extra capacity allowed us to step up the production of CTL019 vector production for Novartis and the facilities were all operated virtually continually throughout the year except for planned shutdown periods. The chart opposite shows the growth in output since 2013.

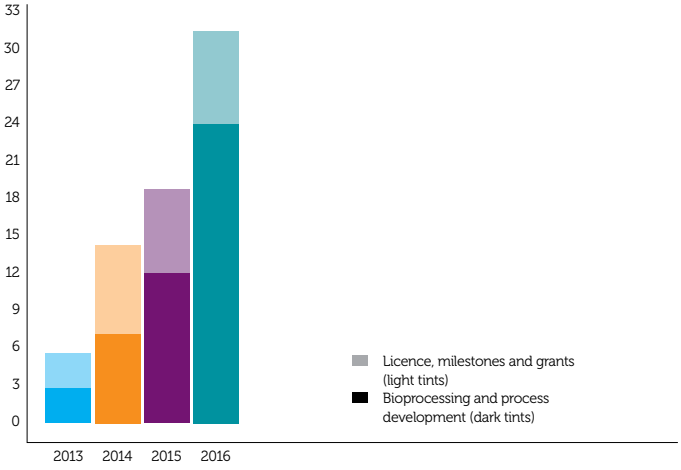
Whilst gross income grew by 64%, our operating costs however, other than Cost of Sales, grew by only 12% and by only 4% when depreciation, amortisation and share bonus payments are excluded. In 2015, I explained that we had grown our headcount and cost base significantly as we built the teams necessary to operate the facilities and processes in 2016. We have seen the benefit from this in 2016 as end-year headcount numbers rose by only 25 from 231 at December 2015 to 256 at December 2016, and we were able to operate the new facilities fully as soon as they became available.

The revenue growth to date has been dominated by our relationship with Novartis and we expect this relationship to continue to grow. But we have also started to bring in new business from partners such as Immune Design and Orchard Therapeutics and we expect that we will generate further such relationships in 2017.

The capital markets were challenging in 2016 but we were able to raise £19.6 million gross proceeds during the year from both existing shareholders and new investors. Having assessed the financial risk/reward profile we decided to continue the development of our priority product projects whilst minimising our expenditure by seeking funding for the clinical studies from third parties such as venture capital funds or larger pharmaceutical companies.



Bioprocessing volumes
¹ 2016 excludes next generation bioreactor output



Gross income¹
£m

¹Gross income is the aggregate of revenue and other operating income

Key Financial Indicators

The Board regularly reviews the Key Financial Indicators set out below:

£m	2016	2015	2014
Gross income			
Bioprocessing/commercial development	**24.0**	12.4	7.2
Licences, incentives, grants	**6.8**	6.4	7.5
Total	**30.8**	18.8	14.7
EBITDA	**(7.1)**	(12.1)	(9.3)
EBIDA	**(3.4)**	(8.1)	(7.2)
Operating loss	**(11.3)**	(14.1)	(10.6)
Cash used in operations	**5.9**	14.9	7.4
Capex	**6.5**	16.7	5.6
Cash burn	**11.5**	29.8	11.6
Period end cash			
Cash	**15.3**	9.4	14.2
Loan	**34.4**	27.3	1.0
Headcount			
Year end	**256**	231	134
Average	**247**	196	113

Gross income

£m	2016	2015	2014
Revenue	**27.8**	15.9	13.6
Other operating income	**3.0**	2.9	1.1
Gross income	**30.8**	18.8	14.7

Gross income increased to £30.8 million, giving 64% growth over 2015 (£18.8 million). Revenues generated from bioprocessing/commercial development almost doubled to £24.0 million (from £12.4million in 2015) due to using the new capacity in 2016 as described on the previous page, and is up 233% since 2014. The £6.8 million income generated from licence upfront payments, performance incentives and grants has remained broadly constant over the past three years (2015 £6.4 million; 2014 £7.5 million) despite comprising individual items which are lumpy by nature.

The chart opposite shows the revenue evolution over the past four years.

A substantial portion of the gross income derives from our relationship with Novartis but revenue was also generated from the partnerships with Immune Design and Orchard Therapeutics, which we expect to grow in 2017.

EBITDA/EBIDA

EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation and Share Based Payments) is a non-GAAP measure often used as a surrogate for operational cash flow as it excludes from operating profit or loss all non-cash items, including the charge for share options.

EBIDA is an internal measure used by the Group, defined as EBITDA with the R&D tax credit included. The Board refers to EBIDA periodically as the R&D tax credit is, in essence, a subsidy or grant which offsets the Group's R&D expenditure.

£m	2016	2015	2014
Gross income	**30.8**	18.8	14.7
Cost of sales	**(11.8)**	(5.8)	(4.4)
Operating expenses (excluding depreciation, amortisation and share option charge)	**(26.1)**	(25.1)	(19.6)
EBITDA	**(7.1)**	(12.1)	(9.3)
R&D tax credit	**3.7**	4.0	2.1
EBIDA	**(3.4)**	(8.1)	(7.2)

The doubling in 2016 of income generated from bioprocessing/commercial development has been broadly matched by the growth of the cost of sales (from £5.8 million to £11.8 million) which includes the raw materials, labour and overheads associated with bioprocessing. This resulted in the gross profit increasing to £15.9 million from £10.1 million in 2015, a growth of 57%.

The aggregate of cost of sales and operating expenses excluding the non-cash items of depreciation, amortisation and share option charge rose from £30.9 million in 2015 to £37.9 million in 2016.

£m	2016	2015
Raw materials, consumables and other external bioprocessing costs	**9.3**	6.1
Manpower-related	**17.4**	13.6
External R&D expenditure	**2.8**	3.0
Other costs	**8.4**	8.2
	37.9	30.9

The increase in manpower-related costs is due to the increase in the average headcount from 196 in 2015 to 247 in 2016. The chart opposite shows the growth in year end headcount numbers.

Operating expenses other than cost of sales and excluding non-cash items (depreciation, amortisation and the charge for share options) increased by £1.0 million from £25.1 million in 2015 to £26.1 million in 2016, an increase of 4%.

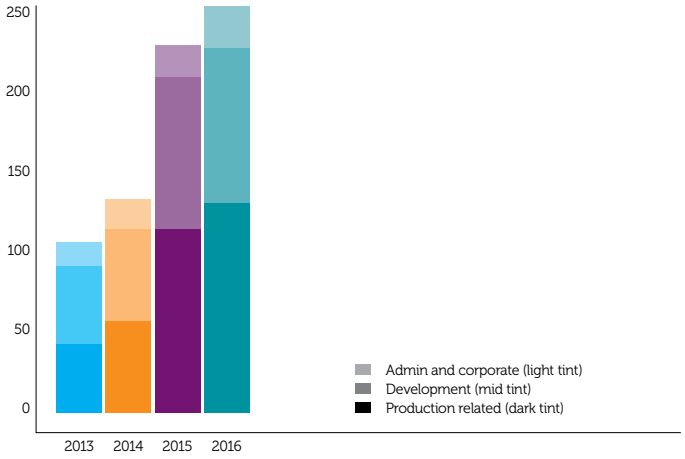
With the increase in gross margin and modest increase in the operating expenses the EBITDA loss was reduced in 2016 to £7.1 million, from £12.1 million in 2015. The EBITDA and EBIDA losses were significantly lower in the second s ix months of 2016 than in the first six months.

	Full year 2016	July – Dec 2016	Jan – July 2016
EBITDA (loss)	**(7.1)**	(1.9)	(5.2)
EBIDA (loss)	**(3.4)**	(0.8)	(2.6)

Operating loss and net loss

£m	2016	2015	2014
EBITDA	**(7.1)**	(12.1)	(9.3)
Depreciation, amortisation and share option charge	**(4.2)**	(2.0)	(1.3)
Operating loss	**(11.3)**	(14.1)	(10.6)
Interest	**(4.9)**	(1.9)	(0.2)
R&D tax credit	**3.7**	4.0	2.1
Foreign exchange revaluation (non-cash)	**(4.1)**	(1.0)	–
Net loss	**(16.6)**	(13.0)	(8.7)

The operating loss in 2016 was £11.3 million, compared with £14.1 million in 2015. 2016 saw a higher charge for depreciation, amortisation and share option charge (£4.2 million in 2016 compared with £2.0 million in 2015), as the new facilities entered operation thereby triggering the start of the depreciation charge on much of the £26 million capacity expansion programme that took place between October 2014 and June 2016.



Year end headcount

The interest charge on the Oberland US$ loan facility was significantly higher at £4.9 million in 2016 compared with £1.9 million in 2015 caused by a combination of a full year charge in 2016 compared with only eight months in 2015, the impact of the substantial fall in sterling against the US$ following the outcome of the EU referendum in the UK, and the cost of providing for the potential 15% Internal Rate of Return (IRR) due to Oberland should the loan run to full maturity in 2022. Of the £4.9 million, £3.2 million is cash paid and £1.7 million represents the provision for the 15% IRR.

The R&D tax credit in 2016 was lower than 2015 which included a benefit relating to prior years. The tax credit results from a UK Government scheme which supports R&D expenditure in the UK.

The net loss in 2016 was also adversely impacted by the revaluation in sterling of the US$ denominated Oberland loan, caused by the fall in sterling against the US$. This does represent a potential increase in the sterling cost of repaying the loan should exchange rates remain as they are currently, but does not have an immediate cash impact. To some extent the Group expects to have a currency hedge against this liability as a significant portion of its anticipated future revenues are likely to be US$ denominated, such as the royalty stream arising from Novartis's sales to US CTL019 patients.

Segmental analysis

We presented an analysis of the business by segment for the first time in the 2015 annual report. The segments are "Partnering" which includes the bioprocessing and process development activities for third parties and which are revenue-generating, and "R&D" which includes the costs of our proprietary R&D activities in product and technology developments.

	Partnering £m	R&D £m	Total £m
2016			
Gross income	**27.9**	**2.9**	**30.8**
EBITDA	**3.0**	**(10.1)**	**(7.1)**
Operating profit/(loss)	**0.2**	**(11.5)**	**(11.3)**
2015			
Gross income	16.3	2.5	18.8
EBITDA	(2.7)	(9.4)	(12.1)
Operating loss	(3.9)	(10.2)	(14.1)

Partnering in 2016 saw an increase in gross income from £16.3 million to £27.9 million due mainly to the £11.6 million increase in bioprocessing and commercial development revenues. The additional volumes and revenues have enabled this segment to advance from making £2.7 million EBITDA losses in 2015 to £3.0 million EBITDA profits, an improvement of £5.7 million and to a small operating profit of £0.2 million. As bioprocessing volumes continue to grow, this segment should become increasingly profitable.

The R&D segment generated slightly higher costs in 2016 compared with 2015.

Cash flow

The Group held £15.3 million cash at 31 December 2016, having begun the year with £9.4 million. Net cash used in operations during 2016 was £5.1 million, down from £13.1 million in 2015. We concluded our major capacity expansion programme in the first half of the year with purchases of property, plant and equipment being £6.5 million compared with £16.7 million in 2015. Cash burn, the aggregate of these items, was therefore reduced from £29.8 million in 2015 to £11.5 million in 2016. The net proceeds from financing during 2016 was £17.5 million.

The analysis of net cash used in operations is set out below:

Net cash used in operations	2016 £m	2015 £m
Operating loss	**(11.3)**	(14.1)
Non-cash items included in operating loss[1]	**4.2**	2.0
EBITDA loss	**(7.1)**	(12.1)
Working capital movement	**1.2**	(2.8)
Cash used in operations	**(5.9)**	(14.9)
Interest paid, less received	**(3.3)**	(1.5)
R&D tax credit received	**4.1**	3.2
Net cash used in operations	**(5.1)**	(13.1)

1 Depreciation, amortisation, charge in relation to share options

Excluding the non-cash items from the operating loss, the EBITDA loss in 2016 was £7.1 million, significantly better than the £12.1 million EBITDA loss in 2015. A favourable working capital movement of £1.2 million in 2016 compared with an adverse movement of £2.8 million in 2015 resulted in the cash used in operations in 2016 being only £5.9 million, compared with £14.9 million in 2015.

Note that the EBITDA loss for the six months to 30 June 2016 was £5.2 million meaning that the EBITDA loss in the second half of the year was reduced to £1.9 million.

Balance sheet review

The most notable items on the balance sheet, including changes from 31 December 2015, are as follows:

— Property, plant and equipment has increased by £3.1 million to £27.5 million as the additions of £6.5 million were partially offset by the depreciation charge of £3.3 million. £3.5 million of fully written down assets were disposed of when we left the Medawar Centre having reached the end of their useful lives

— Investments of £0.7 million represent the carrying value of the equity stake in Orchard Therapeutics, received as part of the strategic alliance announced in November 2016

— Trade and other receivables fell from £10.9 million to £6.9 million, due predominantly to a reduction in trade receivables, caused primarily by the timing and nature of receivables at each year end

— Trade and other payables fell from £9.3 million to £6.0 million, due to both lower trade payables and accruals at the end of 2016 compared with 2015 when the capacity expansion programme was underway

— Current liability provisions were £0.8 million at 31 December 2015 but nil at the end of 2016. This dilapidation provision had been in place to cover the costs of restoring the Medawar Centre to its original condition at the end of the lease in 2016 and was fully utilised during the year

— The loan balance has increased from £27.3 million to £34.4 million. This is the fair value, expressed in pounds sterling, of the $40 million drawn down under the $50 million Oberland loan facility. It has increased mainly due to the weakening of sterling against the US dollar during 2016

Financial outlook

The Group expects that gross income (the aggregate of revenue and other operating income) will continue to grow strongly in 2017. We now have three GMP clean room suites and the new laboratory complex fully operational, we have added new revenue-generating partnerships during 2016 and we are confident that we can add further relationships during 2017, all of which will contribute to the revenue growth. We will continue to manage our cost base carefully as we now have in place most of the resources necessary to support our plans for 2017. Our stated plan to spinout or out-licence our product candidates which are ready to enter clinical studies will mean that our expenditure on the priority programmes of OXB-102, OXB-202 and OXB-302 should be low although we will continue to invest in early stage concepts and pre-clinical studies, and also in our key LentiVector® technology platform. The capacity expansion programme was completed in 2016 therefore capital expenditure is expected to be relatively modest in 2017.

Going concern

The Group held £15.3 million of cash at the end of 2016 and £15.2 million at 28 February 2017. During 2016 the cash burn was significantly reduced as a result of improved cash flow from operations and reduced capital expenditure and the directors expect further progress in 2017. Taking this into account, in conjunction with currently known and probable cash flows, the directors consider that the Group has sufficient cash resources and cash inflows to continue its activities for not less than twelve months from the date of these financial statements and have therefore prepared the financial statements on a going concern basis.

Tim Watts
Chief Financial Officer

Corporate responsibility

Oxford BioMedica is committed to its role as a responsible business and we have a range of policies in place to ensure we meet this objective. Our commitment to corporate responsibility is governed by our Group values, which include "Ethics, Integrity, Trust and Respect". Consequently, we aim to treat others as we would expect to be treated ourselves, acting with integrity in every area of our business. We respect the rights of all whose lives we touch and celebrate the diversity and differences that bring us new perspectives. We focus our corporate responsibility efforts on a number of main areas:

People

We are resolutely focused on the health, safety and welfare of our employees, their engagement and job satisfaction and ensuring equality of opportunity and respect for diversity. We are equally focused on the safety of patients in our clinical studies and of our neighbours in the wider community.

Community

We focus on the wellbeing of the community around our facilities, conducting our business in a responsible manner. We comply with local laws and regulations and control our emissions and waste.

Environment

We monitor our facilities' carbon emissions, use of water, electricity and gas as well as waste production and disposal.

Integrity & Ethics

The Group is committed to the highest standards of ethical conduct and integrity in its business activities in the UK and overseas.

People

Safety

The health, safety and welfare of our employees, visitors and contractors at our business is our first priority. The safety of all employees is important, and those working in our bioprocessing, engineering and laboratory facilities face additional risks, which we endeavor to manage through maintaining our facilities and equipment to the highest standards and through specific and detailed training. Our Health and Safety Management System covers all work activities, such as working with biological and chemical materials and the operation of laboratory equipment. The Health and Safety Management System is reviewed and updated to ensure continuous improvement, and to adapt to variations in scientific work and reflect changes in legislation. Oxford BioMedica continues to have a first-class safety record. Health and Safety issues are a standing item on the Board's agenda and the Group is committed to meet both the letter and spirit of all health and safety regulation and best practice.

Values

In addition to the values of "Ethics, Integrity, Trust and Respect" outlined above, we also have additional corporate values of "Openness", "Delivery", "Working Together" and "Recognition", which we incorporate into all our activities.

Diversity

The Board and senior management are fully committed to providing equal opportunities to all employees, irrespective of race, gender, religion, national origin, disability or any other personal characteristics, and we embrace diversity in all forms.

The table below shows the gender split across our organisation as at 31 December 2016:

	Male	Female	Total	% Male	% Female
Board including 4 non-executive directors	7	0	7	100%	0%
Senior managers	14	7	21	67%	33%
All other employees	102	130	232	44%	56%
Total	**123**	**137**	**260**	**47%**	**53%**

Of the 256 employees, 68 are non-UK European Union citizens and 14 are from outside the European Union.

Remuneration

With the growth in employee numbers from 134 to 256 over the last two years, we have invested in strong internal procedures to ensure that we are well-placed to attract and retain high quality employees. As a result, we have a well-established and structured management system and provide the appropriate levels of financial and non-financial remuneration for each level within our structure. We have modern share option plans to allow all employees to participate and we provide medical insurance for all staff, along with a pension facility to enable employees to take a more flexible and personalised approach to pension planning.

Training

Training is essential for the safety and well-being of our employees and others we interact with as discussed above. Our bioprocessing, laboratory and clinical processes are complex and highly regulated and our training helps us to achieve the outcomes, compliance and productivity we need to succeed as a business. We also provide training to our line managers to ensure that they are well prepared to manage, develop, support and motivate their teams.

Communication

We acknowledge the importance of communication across our business. Group-wide briefings, R&D seminars and informal all-staff meetings are held to keep employees informed of general business issues and other matters of interest. The circulation of press announcements, internal newsletters and access to work-related social media keep employees informed of business and employee activities.

Community

We recognise the value of being a good local citizen in the Oxford community. We endeavour to achieve this by delivering positive benefits for the community, such as creating new high quality jobs, establishing an apprenticeship scheme and by establishing links with schools and other local educational establishments. We seek to behave as a responsible neighbour, complying with national and local laws and regulations, particularly with regard to emissions and waste, property planning and the traffic impact caused by our employees. We have a Cycle-To-Work scheme and interest-free season ticket loans to help minimise our traffic impact on the local area.

Environment

Environmental policies & initiatives

We fully recognise our responsibility to protect the environment and we have strong environmental policy, objectives and guidelines in place, which we review and update regularly. The Group complies with all regulations covering the processing and disposal of laboratory waste, and uses qualified licensed contractors for the collection and disposal of chemical waste and decontaminated biological materials. No laboratory waste goes to landfill sites. We make every effort to keep our neighbours in the local community safe from any potential harm caused by our activities by closely managing our emissions and waste.

Greenhouse gas emissions report

The tables below show our usage in 2016 and 2015 of energy and water at our sites in Oxford, UK. We have also estimated our total CO_2 emissions and have indicated our "environmental intensity" on a per employee basis, an important indicator of our activity.

2016	Unit	Usage	Usage per employee	CO_2 emission (tonnes)
Electricity	MW hours	3,139	12.7	1,295
Gas	MW hours	2,517	10.2	463
Water supply	Cubic metres	5,628	22.9	2
Other activities (estimated) including waste disposal and travel				1,055
Total				**2,749**

2015	Unit	Usage	Usage per employee	CO_2 emission (tonnes)
Electricity	MW hours	3,507	17.9	1,621
Gas	MW hours	2,139	10.9	395
Water supply	Cubic metres	5,876	30.0	2
Other activities (estimated) including waste disposal and travel				802
Total				**2,819**

Energy efficiency

We are committed to energy efficiency and have a number of policies to decrease energy usage where possible. For instance, when existing lighting needs replacing we switch to LED lights, which are significantly more energy efficient than traditional lighting systems. In our refurbished Windrush laboratories we have passive infrared light sensors in all areas to ensure lighting is extinguished in areas that are not currently in use.

Waste management

We continue to review our waste management systems to manage waste more effectively. This includes:

— Recycling all paper and cardboard waste, aluminum cans, glass, plastics and printer toner/cartridges

— Use of different waste streams to increase processing efficiency

Integrity and ethics

The Group is committed to the highest standards of ethical conduct and integrity in its business activities in the UK and overseas.

Anti-bribery

Oxford BioMedica's policy on preventing and prohibiting bribery is in full accordance with the UK Bribery Act 2010 as well as other relevant overseas legislation. The Group does not tolerate any form of bribery by, or of, its employees, agents or consultants or any person or body acting on its behalf. Senior management is committed to implementing effective measures to prevent, monitor and eliminate bribery.

Whistleblowing

Oxford BioMedica's compliance activities include the prevention and detection of misconduct through policy implementation, training and monitoring. As part of this effort, the Group's employees are encouraged to report suspected cases of misconduct in confidence and without fear of retaliation. Concerns and allegations are thoroughly investigated with disciplinary action taken where necessary, up to and including dismissal and reporting to relevant authorities.

Clinical trials

We instill transparency, safety and ethics in all aspects of our business, including the design and conduct of our clinical trials. Our clinical studies are designed with patient safety as a paramount concern and the protocols are agreed with the relevant national regulatory authorities, as well as local ethics committees and institutional review boards at clinical trial sites, before any patients are treated. We also have standard operating procedures in place under a controlled Quality Management System to ensure compliance with appropriate guidelines and legislation. We are also committed to transparency, and our website (oxfordbiomedica.co.uk) provides information on ongoing clinical trials and relevant trials in the EU and EEA are automatically posted on the EU Clinical Trials Register (clinicaltrialsregister.eu) and we also disclose our trials on a US government-sponsored website (clinicaltrials.gov).

Human rights

The Group fully respects human rights and we conduct our business in accordance with the letter and spirit of UK Human Rights legislation. Our facilities are all located in the UK, where our policies accord with human rights regulations and our supply chain operates in territories with strong commitments to human rights safeguarding.

Animal testing

It is a regulatory requirement that all new therapeutic products must be appropriately tested for safety before they are administered to patients, and there is currently no alternative to using animal models as part of this process. We are committed to following the principles of the three "Rs" in safety testing: replacement, refinement and reduction of animal testing. These principles ensure that animal testing is only employed when necessary and where there are no alternatives. The Group minimises the use of animal models by cross-referring LentiVector® platform data packages for regulatory authorities.

The Strategic report on pages 8 to 31 were approved by the Board of Directors on 15 March 2017 and were signed on its behalf by:

John Dawson
Chief Executive Officer

Principal risks, uncertainties and risk management

Oxford BioMedica operates in the gene and cell therapy biotechnology sector which, by its nature, is relatively high risk compared with other industry sectors. Very few gene and cell therapy products have yet been approved for commercial use so there are significant financial and development risks in the sector, and the regulatory authorities have shown caution in their regulation of such products. Risk assessment and evaluation is therefore an integral and well-established part of Oxford BioMedica's management processes. The Group is exposed to a range of risks. Some of them are specific to Oxford BioMedica's current operations, others are common to all development-stage biopharmaceutical companies. The directors have carried out a robust assessment of the risks facing the company, including those which could threaten its business model and future performance.

Risk management framework

The Group's risk management framework is as follows:

- Board of Directors – the Board has overall responsibility for risk management, determining the Group's risk tolerance and for ensuring the maintenance of a sound system of internal control. The Board reviews key risks within the Group at each of its formal meetings, of which there at least six annually. The risk management processes are the responsibility of the Senior Executive Team but the Audit Committee monitors the processes and their implementation as well as reviewing the Group's internal financial controls and the internal control systems.. The Audit Committee also monitors the integrity of the financial statements of Oxford BioMedica and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them
- Senior Executive Team – the SET generally meets twice monthly to discuss current business issues and considers relevant risks on each occasion. At least twice a year, the SET meets with representatives from the Risk Management Group to consider the operational risk management processes and risks identified
- Key management sub-committees – the Group has three key management sub-committees which meet monthly and through which much of the day-to-day business is managed. These are the Quality and Manufacturing Operations Committee, the Product Development Committee and the Technical Development Committee. SET members attend these meetings and risk management is a key feature of each sub-committee
- Risk Management Group – Oxford BioMedica has established a risk management group comprising senior managers from each area of the business and chaired by the Director of Corporate Activities and Strategy. This group meets quarterly with a remit to identify and assess risks in the business and to consider mitigation and risk management steps that can be taken. The risk register is regularly reviewed by the SET and key risks are highlighted to the Board at each formal meeting

— Standard Operating Procedures (SOPs)– all areas of the business have well established SOPs which are required be followed in order to minimise the risks inherent in the business operations. Where these are required for GMP, GCP and GLP any deviations from the SOPs must be identified and investigated. Compliance with such SOPs are routinely subject to audit by the relevant regulators and customers. Other SOPs, such as financial processes, are also subject to audits

Key risks specific to Oxford BioMedica's current operations

Pharmaceutical product development risks

To develop a pharmaceutical product it is necessary to conduct pre-clinical studies and human clinical trials for product candidates to demonstrate safety and efficacy. The number of pre-clinical studies and clinical trials that will be required varies depending on the product candidate, the indication being evaluated, the trial results and the regulations applicable to the particular product candidate. In addition, the Group or its partners will need to obtain regulatory approvals to conduct clinical trials and manufacture drugs before they can be marketed. This development process takes many years. The Group may fail to develop successfully a product candidate for many reasons, including:

— failure to demonstrate long-term safety;
— failure to demonstrate efficacy;
— failure to develop technical solutions to achieve necessary dosing levels or acceptable delivery mechanisms;
— failure to establish robust bioprocessing processes;
— failure to obtain regulatory approvals to conduct clinical studies or, ultimately, to market the product; and
— failure to recruit sufficient patients into clinical studies.

The failure of the Group to develop successfully a product candidate could adversely affect the future profitability of the Group. There is a risk that the failure of any one product candidate could have a significant and sustained adverse impact on the Group's share price. There is also the risk that the failure of one product candidate in clinical development could have an adverse effect on the development of other product candidates, or on the Group's ability to enter into collaborations in respect of product candidates.

(i) Safety risks

Safety issues may arise at any stage of the drug development process. An independent Drug Safety Monitoring Board (DSMB), the relevant regulatory authorities or the Group itself may suspend or terminate clinical trials at any time. There can be no assurances that any of the Group's product candidates will ultimately prove to be safe for human use. Adverse or inconclusive results from pre-clinical testing or clinical trials may substantially delay, or halt, the development of product candidates, consequently affecting the Group's timeline for profitability. The continuation of a particular study after review by the DSMB or review body does not necessarily indicate that all clinical trials will ultimately be successfully completed.

(ii) Efficacy risks

Human clinical studies are required to demonstrate efficacy in humans when compared against placebo and/ or existing alternative therapies. The results of pre-clinical studies and initial clinical trials of the Group's product candidates do not necessarily predict the results of later stage clinical trials. Unapproved product candidates in later stages of clinical trials may fail to show the desired efficacy despite having progressed through initial clinical trials. There can be no assurance that the efficacy data collected from the pre-clinical studies and clinical trials of the Group's product candidates will be sufficient to satisfy the relevant regulatory authorities that the product should be given a marketing authorisation.

(iii) Technical risks

During the course of a product's development, further technical development may be required to improve the product candidates characteristics such as the delivery mechanism or the bioprocessing process. There is no certainty that such technical improvements or solutions can be identified.

(iv) Bioprocessing process risk

There can be no assurance that the Group's product candidates will be capable of being produced in commercial quantities at acceptable cost. The Group's LentiVector® platform product candidates use specialised bioprocessing processes for which there are only a few suitable bioprocessors including the Group itself. There can be no assurance that the Group will be able to bioprocess the Group's product candidates at economic cost or that contractors who are currently able to bioprocess the Group's product candidates will continue to make capacity available at economic prices, or that suitable new contractors will enter the market.

Bioprocessing processes that are effective and practical at the small scale required by the early stages of clinical development may not be appropriate at the larger scale required for later stages of clinical development or for commercial supply. There can be no assurance that the Group will be able to adapt current processes or develop new processes suitable for the scale required by later stages of clinical development or commercial supply in a timely or cost-effective manner, nor that contract bioprocessors will be able to provide sufficient bioprocessing capacity when required.

(v) Regulatory risk

The clinical development and marketing approval of the Group's product candidates, and the Group's bioprocessing facilities, are regulated by healthcare regulatory agencies, such as the FDA (USA), EMA (Europe), and MHRA (UK). During the development stage, regulatory reviews of clinical trial applications or amendments can prolong development timelines. Similarly, there can be no assurance of gaining the necessary marketing approvals to commercialise products in development. Regulatory authorities may impose restrictions on a product candidate's use or may require additional data before granting approval. If regulatory approval is obtained, the product candidate and bioprocessor will be subject to continual review and there can be no assurance that such an approval will not be withdrawn or restricted. The Group's laboratories, bioprocessing facilities and conduct of clinical studies are also subject to regular audits by the MHRA to ensure that they comply with GMP, GCP and GLP standards. Failure to meet such standards could result in the laboratories or the bioprocessing sites being closed or the clinical studies suspended until corrective actions have been implemented and accepted by the regulator.

(vi) Failure to recruit sufficient patients into clinical studies

Clinical trials are established under specific protocols which specify how the trials should be conducted. Protocols specify the number of patients to be recruited into the study and the characteristics of patients who can and cannot be accepted into the study. The risk exists that it proves difficult in practice to recruit the number of patients with the specified characteristics, potentially causing delays or even abandonment of the clinical study. This could be caused by a variety of reasons such as the specified characteristics being too tightly defined resulting in a very small population of suitable patients, or the emergence of a competing drug, either one that is approved or another drug in the clinical stage of development.

The threats from the above product development risks are inherent in the pharmaceutical industry and have not changed fundamentally over the last year. The Group aims to mitigate these risks by employing experienced staff and other external parties, such as contract research organisations to plan, implement and monitor its product development activities and to review progress regularly in the Group's Product Development Committee.

Bioprocessing revenue risk

The Group receives significant revenues from bioprocessing lentiviral vectors for third parties and in particular for Novartis. Bioprocessing of lentiviral vectors is complex and bioprocessing batches may fail to meet the required specification due to contamination or inadequate yield. Failure to deliver batches to the required specification may lead to loss of revenues. Furthermore, the Group relies on third parties, in some cases sole suppliers, for the supply of raw materials and certain out-sourced services. If such suppliers perform in an unsatisfactory manner it could harm the Group's business. The Group's bioprocessing and analytical facilities are subject to regular inspection and approval by regulators and customers. Failure to comply with the standards required could result in production operations being suspended until the issues are rectified with the potential for loss of revenue.

As the Group's revenues from bioprocessing are growing the risk to the Group has increased in the last twelve months. The Group mitigates the risk of failing to meet required specifications by investing in high quality facilities, equipment and employees and, in particular, in quality management processes. The Group is also endeavouring to mitigate the risk of being overly reliant on Novartis by seeking bioprocessing contracts with other parties.

Collaborator and partner risk

The Group has entered several collaborations and partnerships, involving the development of product candidates by partners in which the Group has a financial interest through IP licences. Failure of the partners to continue to develop the relevant product candidates for any reason could result in the Group losing potential revenues.

Financial position

The Group has incurred significant losses since incorporation and continues to incur significant costs as it builds an integrated platform gene delivery company and develops its portfolio of development products. The directors have considered the cash position in the context of going concern and the viability statement and their conclusions are set out in the Financial review (page 27), the Directors' report (page 71) and in Note 1 to the consolidated financial statements (page 86).

Loan facility

The Group has a $50 million loan facility provided by Oberland Capital Management LLC, secured on the Group's assets. Failure to comply with the terms of the loan agreement could potentially place the Group in default, which could adversely affect the Group's business operations, financial position and prospects.

Business development

The Group is seeking to out-license or spin-out into externally funded vehicles its in-house product development programmes and may seek to develop strategic partnerships for developing certain of the Group's other product candidates. The Company may not be successful in its efforts to build these third party relationships which may cause the development of the products to be delayed or curtailed.

The Group is building a revenue-generating business by providing its LentiVector® platform to third parties in return for revenues derived from process development, bioprocessing and future royalties. The Group may be unsuccessful in building this business for reasons including a) failing to maintain a leadership position in lentiviral vector technology; b) becoming uncompetitive from a pricing perspective, and c) failure to provide an adequate service to business partners and collaborators. The Group is continuing to invest in the LentiVector® technology in order to reduce this risk, and it also takes extremely seriously customer relationship management to ensure that customers and partners receive the service they expect.

Attraction and retention of highly skilled employees

The Group depends on recruiting and retaining highly skilled employees to deliver its objectives and meet its customers' needs. The market for such employees is becoming increasingly competitive and failure to recruit or to retain staff with the required skills and experience could adversely affect the Group's performance. The Group mitigates this risk by creating an attractive working environment and ensuring that the remuneration package offered to employees is comparable with competing employers.

Broader business risks which are applicable to Oxford BioMedica

Gene and cell therapy risk

The Group's commercial success, both from its own product development and from supporting other companies in the sector, will depend on the acceptance of gene and cell therapy by the medical community and the public for the prevention and/or treatment of diseases. To date only two gene therapy products have been approved in Europe, and none in the US. Furthermore, specific regulatory requirements, over and above those imposed on other products, apply to gene and cell therapies and there can be no assurance that additional requirements will not be imposed in the future. This may increase the cost and time required for successful development of gene and cell therapy products.

Principal risks, uncertainties and risk management

Rapid technical change

The gene and cell therapy sector is characterised by rapidly changing technologies and significant competition. Advances in other technologies in the sector could undermine the Group's commercial prospects.

Longer-term commercialisation risks

In the longer term, the success of the Group's product candidates and those of its partners will depend on the regulatory and commercial environment several years into the future. Future commercialisation risks include:

— The emergence of new and/or unexpected competitor products or technologies. The biotechnology and pharmaceutical industries are subject to rapid technological change which could affect the success of the Group's product candidates or make them obsolete

— Regulatory authorities becoming increasingly demanding regarding efficacy standards or risk averse regarding safety

— Governments or other payers being unwilling to pay for/reimburse gene therapy products at a level which would justify the investment. Based on clinical studies to date, the Group's LentiVector® platform product candidates have the unique potential to provide permanent therapeutic benefit from a single administration. The pricing of these therapies will depend on assessments of their cost-benefit and cost effectiveness

— The willingness of physicians and/or healthcare systems to adopt new treatment regimes

Any or all of these risks could result in the Group's future profitability being adversely affected as future royalties and milestones from commercial partners could be reduced.

Intellectual property and patent protection risk

The Group's success depends, amongst other things, on maintaining proprietary rights to its products and technologies and the Board gives high priority to the strategic management of the Group's intellectual property portfolio. However, there can be no guarantee that the Group's product candidates and technologies are adequately protected by intellectual property. Furthermore, if the Group's patents are challenged, the defence of such rights could involve substantial costs and an uncertain outcome.

Third party patents may emerge containing claims that impact the Group's freedom to operate. There can be no assurance that the Group will be able to obtain licences to these patents at reasonable cost, if at all, or be able to develop or obtain alternative technology. Where copyright, design right and/or "know-how" protect the Group's product candidates or technology, there can be no assurance that a competitor or potential competitor will not independently develop the same or similar product candidates or technology.

Rights of ownership over, and rights to license and use, intellectual property depend on a number of factors, including the circumstances under which the intellectual property was created and the provisions of any agreements covering such intellectual property. There can be no assurance that changes to the terms within licence agreements will not affect the entitlement of the Group to the relevant intellectual property or to license the relevant intellectual property from others.

Financial risks

(a) Product liability and insurance risk

In carrying out its activities the Group potentially faces contractual and statutory claims, or other types of claim from customers, suppliers and/or investors. In addition, the Group is exposed to potential product liability risks that are inherent in the research, pre-clinical and clinical evaluation, bioprocessing, marketing and use of pharmaceutical products. While the Group is currently able to obtain insurance cover, there can be no assurance that any future necessary insurance cover will be available to the Group at an acceptable cost, if at all, or that, in the event of any claim, the level of insurance carried by the Group now or in the future will be adequate, or that a product liability or other claim would not have a material and adverse effect on the Group's future profitability and financial condition.

(b) Foreign currency exposure

The Group records its transactions and prepares its financial statements in pounds sterling, but some of the Group's income from collaborative agreements and patent licences is received in US dollars and the Group incurs a proportion of its expenditure in US dollars and the Euro. The Group's cash balances are predominantly held in pounds sterling, although the Group's Treasury Policy permits cash balances to be held in other currencies in order to hedge foreseen foreign currency expenses. The Group also has a US dollar loan facility provided by Oberland Capital Management LLC. Under that facility the Group is required to maintain $10 million in a ring-fenced bank account. To the extent that the Group's foreign currency assets and liabilities in the longer term are not matched, fluctuations in exchange rates between pounds sterling, the US dollar and the Euro may result in realised and unrealised gains and losses on translation of the underlying currency into pounds sterling that may increase or decrease the Group's results of operations and may adversely affect the Group's financial condition, each stated in pounds sterling. In addition if the currencies in which the Group earns its revenues and/or holds its cash balances weaken against the currencies in which it incurs its expenses, this could adversely affect the Group's future profitability.

(c) Interest rate exposure

The Group is exposed to interest rate movements, primarily arising on the Oberland loan facility. The interest rate is 9.5% plus the greater of 1% and three month LIBOR. If three month LIBOR rises above 1% the Group's interest payments may increase.

UK departure from European Union ("Brexit")

The impact of the UK's decision to leave the European Union (EU) is not yet clear but it may significantly affect the fiscal, monetary and regulatory landscape in the UK, and could have a material impact on its economy and the future growth of its industries, including the pharmaceutical and biotechnology industries. Depending on the exit terms negotiated between EU Member States and the UK following Brexit, the UK could lose access to the single European Union market and to the global trade deals negotiated by the European Union on behalf of its members. Although it is not possible at this point in time to predict fully the effects of an exit of the UK from the European Union, it could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, it may impact the Group's ability to comply with the extensive government regulation to which it is subject, and impact the regulatory approval processes for its product candidates.

Corporate governance
The Board of Directors

Dr Lorenzo Tallarigo (66)

Chairman

Dr Lorenzo Tallarigo was appointed as non-executive Chairman of Oxford BioMedica in February 2016. He was previously Chairman of Intercept Pharmaceuticals where he led the company's successful IPO. He was also Chief Executive Officer and remains a Board member of Genextra, a holding company focused on identifying life science research to create successful businesses that develop novel treatments and technologies. Previously, he worked at Eli Lilly, where he held various positions of increasing seniority in a number of areas including clinical research, product management, marketing and general management, and ultimately as President of International Operations. He has a Doctor of Medicine degree from the University of Pisa (Italy) and a PMD from Harvard Business School.

Appointment:
— Appointed as non-executive director and Chairman in February 2016

Committee membership:
— Nominations Committee

Dr Andrew Heath (68)

Deputy Chairman and Senior Independent Director

Dr Andrew Heath was appointed to Oxford BioMedica's Board in January 2010 and became Deputy Chairman and Senior Independent Director in May 2011. Previously he was Chief Executive Officer of Protherics plc where he managed the company's significant growth and eventual acquisition by BTG for £220 million. Previously, he held senior positions at Astra AB and Astra USA, including Vice President Marketing & Sales, and at Glaxo Sweden as Associate Medical Director. He is currently Chairman of Shield Therapeutics plc, and a non-executive director of Novacyt SA and IHT Partners, LLC. He was previously a director of the UK BioIndustry Association.

Appointment:
— Appointed a director in January 2010 and became Deputy Chairman and Senior Independent Director in May 2011

Committee membership:
— Audit Committee
— Remuneration Committee
— Nomination Committee

John Dawson (57)

Chief Executive Officer

John Dawson joined Oxford BioMedica's Board as a non-executive director in August 2008 and he was appointed Chief Executive Officer in October 2008. Previously, he held senior management positions in the European operations of Cephalon Inc., including Chief Financial Officer and Head of Business Development Europe. While at Cephalon he led many deals building the European business to over 1,000 people, and to a turnover of several hundred million US dollars and in 2005 led the US$360 million acquisition of Zeneus by Cephalon. Prior to this time at Cephalon he was director of Finance and Administration of Serono Laboratories (UK) Limited. He is currently a non-executive director of Paion AG.

Appointment:
— Appointed a director in August 2008 and became Chief Executive Officer in October 2008

Committee membership:
— None

Tim Watts (59)

Chief Financial Officer

Tim Watts joined Oxford BioMedica and the Board in February 2012. He has over 25 years' experience in the pharmaceutical and biotech sectors. He qualified as a chartered accountant, beginning his career with Coopers & Lybrand before moving to H J Heinz. He subsequently joined ICI, initially in the corporate headquarters and subsequently the pharmaceuticals division, where he became Finance Director of the Zeneca Pharmaceuticals business. Following Zeneca's merger with Astra, he became Group Financial Controller of AstraZeneca PLC. He subsequently moved to Archimedes Pharma as Chief Financial Officer prior to joining Oxford BioMedica. He is a member of the Institute of Chartered Accountants in England and Wales, and is on the Board of the UK BioIndustry Association.

Appointment:
— Appointed a director and Chief Financial Officer in February 2012

Committee membership:
— None

Martin Diggle (54)

Non-executive director

Martin Diggle was appointed to Oxford BioMedica's Board in October 2012. He is a founder of Vulpes Investment Management which manages a number of funds, including the Vulpes Life Sciences Fund, Oxford BioMedica's largest shareholder. He has over 30 years' experience in investment banking and fund management, and has been an investor in life sciences and biotech for nearly 20 years. He is also an expert in emerging markets and Russia, in particular, where he was previously a partner and director of UBS Brunswick. He holds a Master's Degree in Philosophy, Politics and Economics from University of Oxford.

Appointment:
— Appointed a director in October 2012

Committee membership
— Nomination Committee

Stuart Henderson (58)

Independent non-executive director

Stuart Henderson was appointed a non-executive director and Chair of the Audit Committee in June 2016. Previously, he was a partner at Deloitte, where he was Head of European Healthcare and Life Sciences. Prior to this he was a partner at Arthur Andersen, where he was Head of Emerging Biotechnology. He has extensive audit and transaction experience and has worked with life sciences businesses ranging from start-ups to multinationals, as well as acting as reporting accountant on numerous IPO and Class 1 transactions. As Audit Partner, he has reported to the audit committees of publicly quoted companies for over 20 years. He is a former director of the Babraham Institute and currently sits as a non-executive director on the Boards of OneNucleus (the Life Sciences trade body for Cambridge and London), Norwich Research Partners LLP and the Cell Therapy Catapult Limited.

Appointment:
— Appointed a director in June 2016

Committee membership:
— Audit Committee
— Remuneration Committee
— Nomination Committee

Peter Nolan (64)

Chief Business Officer

Peter Nolan was appointed to Oxford BioMedica's Board in May 2002 having been a senior leader at the Company since it was founded in 1996. Prior to joining Oxford BioMedica, he served as Head of the Biotechnology Unit at the UK Department of Trade and Industry for eight years, where he was responsible for collaborative research programmes between industry and the research councils. Previously he held senior positions in the Laboratory of the Government Chemist and also the Metropolitan Police Laboratory where he was a senior forensic scientist. He has held a number of senior posts in industry organisations, including director of the UK BioIndustry Association and Chairman of the Oxfordshire Bioscience Network.

Appointment:
— Appointed a director in May 2002

Committee membership:
— None

Left to right:
Andrew Heath, Tim Watts, Stuart Henderson, John Dawson, Martin Diggle, Lorenzo Tallarigo and Peter Nolan

Corporate governance report

Dear Shareholder

I am pleased to present Oxford BioMedica's Corporate Governance Report for 2016.

Good governance is essential for the long term success of the business and this is ultimately the responsibility of the Board and its committees. The Board comprises both non-executive and executive directors and provides the forum for external and independent review and challenge to the executives.

There have been several changes to the Board during 2016. In January Dan Soland stepped down as a non-executive director on his appointment as CEO of Uniqure. In February I joined the Board as Chairman and Nick Rogers, the previous Chairman, resigned from the Board at the end of April after a hand-over period of three months. Stuart Henderson joined the Board from 1 June as an independent non-executive director and became Chairman of the Audit Committee. Finally Paul Blake did not seek re-election to the board at the AGM in June as his employment contract was expiring at the end of August.

2016 continued to see significant change for the Group as the new bioprocessing clean rooms and laboratories were completed and approved for use by the UK authorities, our employee numbers continued to grow, although much less than in 2015, and we moved out of the Medawar Centre, which had been our home for 20 years, during the third quarter of the year. Our bioprocessing activities in 2016 increased substantially compared with 2015 as we were able to start using the Yarnton clean room from the start of the year and brought the second Harrow House clean room into operation in the summer. Crucially we continued to support Novartis's CTL-019 programme as they completed the ELIANA clinical study and advanced towards submission of the Biologics License Application in the USA. We have been carrying out feasibility studies for other potential partners and were able to announce deals with Immune Design, Orchard Therapeutics and Green Cross LabCell during the year. The capital markets proved difficult for biotech companies during the year so the Board took the decision to advance its clinical stage product candidates by seeking project-specific finance from out-licensing or venture capitalists. With this amount of change and activity the Board has paid particular attention to ensuring that the Group's strategy remains appropriate and that management is focused on delivering the Group's key priorities and managing the key risks facing the Group.

Between the December 2016 and January 2017 board meetings I conducted a review of the board's performance during 2016. The review process comprised the completion of a questionnaire covering the various aspects of board activities and private discussions with each director individually. The key areas to improve were then discussed at the January 2017 board meeting. The main conclusions from this review are described on page 46.

The following pages set out in more detail the activities and major matters considered by the Board in 2016.

Lorenzo Tallarigo
Chairman

Lorenzo Tallarigo was appointed as non-executive director and Chairman in February 2016

Compliance with the UK Corporate Governance Code (UKCGC)

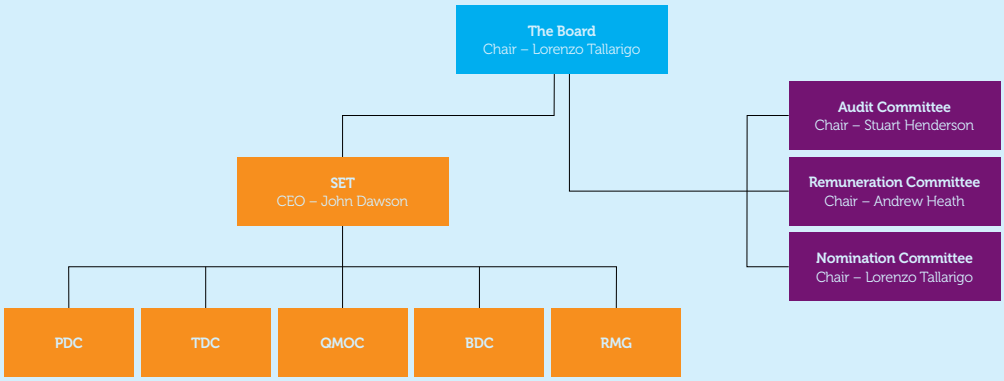
The table below sets out how the Group has applied the main principles in the UKCGC:

UKCGC reference	Main Principle	Application
A.1	Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	The Company's board comprises both non-executive directors and executive directors. The board met eight times during 2016 for regular board meetings as well as several other times for specific ad hoc matters.
A.2	There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.	There is a clear division of responsibilities between the Chairman and Chief Executive Officer.
A.3	The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	The Chairman provides leadership to the Board and is responsible for setting the agenda for its meetings and for ensuring there is adequate time allowed for discussion.
A.4	As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.	All of the non-executive directors participate at all Board meetings and also are involved in periodic strategic reviews.
B.1	The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.	The current board members have a broad mix of experience including the pharmaceutical industry, financing and investment, and UK corporate governance. The Audit and Remuneration Committees are comprised solely of independent non-executive directors from January 2017.
B.2	There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	The process to appoint Stuart Henderson was led by the Chairman. A search firm was employed to help identify potential candidates. Short-listed candidates met most of the directors as part of the selection process. The final selection decision was made by the non-executive directors in consultation with the Chief Executive Officer.
B.3	All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.	All directors have been able to participate at the majority of meetings held in 2016.
B.4	All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	Lorenzo Tallarigo and Stuart Henderson received induction during the year including meetings with investors, the Company's auditors, lawyers, financial and other advisers and senior managers in the business.
B.5	The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	The Board meets formally at least six times per annum. The Chairman sets the agenda in consultation with the CEO and Company Secretary. Relevant papers are circulated to all board members several days prior to each meeting.
B.6	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The Board conducts a performance evaluation annually. The most recent evaluation took place during December 2016/January 2017.
B.7	All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	All new directors are required by the Company's Articles of Association to submit themselves for election at the first Annual General Meeting after their appointment. The Articles also require that one-third of the directors submit themselves for re-election by rotation each year.
C.1	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The directors formally review the Annual report each year and make a statement in the report confirming that they consider the report to be fair, balanced and understandable.
C.2	The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	The Board 's remit includes risk management which is an agenda item at every formal meeting. A system of risk management has been established in the Group and this is monitored by the Audit Committee. The Audit Committee also reviews the internal control systems.
C.3	The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.	Corporate reporting, internal controls and relations with the Company's auditors are the responsibility of the Audit Committee which provides feedback to the full board following Audit Committee meetings.
D.1	Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.	Executive directors' remuneration is set in accordance with the remuneration policy which was approved by shareholders at the 2015 AGM.
D.2	There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	The remuneration policy was designed by the Remuneration Committee with advice from the compensation and benefits practice of Deloitte LLP. The recommended policy was approved by shareholders at the 2015 Annual General Meeting. No director is involved with setting his own remuneration.
E.1	There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	Vulpes Life Sciences Fund, the Company's largest shareholder, is represented on the board by Martin Diggle which provides a clear line of communication. The Chairman, Chief Executive Officer and Chief Financial Officer meet periodically with the Company's other major shareholders.
E.2	The board should use the general meetings to communicate with investors and to encourage their participation.	All board members endeavour to attend the Annual General Meeting in person and sufficient time is allowed for questioning by shareholders who attend the meeting.

Corporate governance report

The Board considers that it has complied throughout the year with the UK Corporate Governance Code (the "Code" or "UKCGC") except for provision C.3.1 of the Code which states that a company chairman should not chair the Audit Committee. Nick Rodgers was Chair of the Audit Committee until he left the board on 30 April 2016. Stuart Henderson became Chair of the Audit Committee on his appointment in June 2016 at which point the Group became fully compliant with the Code. Also, for a period of five months between January 2016 when Daniel Soland resigned and June 2016 when Stuart Henderson was appointed, the Board had fewer than the two independent directors other than the Chairman recommended by the Code.

Corporate Governance Framework



Oxford BioMedica's governance framework comprises the Board and the Senior Executive Team and their respective sub-committees:

SET – Senior Executive Team
PDC – Product Development Committee
TDC – Technical Development Committee
QMOC – Quality and Manufacturing Operations Committee
BDC – Business Development Committee
RMG – Risk Management Group

The Board

The Board is collectively responsible for promoting the success of the Group by directing and supervising the Group's activities to create shareholder value. In doing so it ensures that there are robust corporate governance and risk management processes in place. Following the changes in the first half of 2016 the Board comprises four non-executive directors and three executive directors. The Chairman and Martin Diggle are considered not to be independent.

The Board's powers and responsibilities are set out in the Company's articles of association and it has a formal schedule of matters reserved for the Board's approval which include:

— The Group's strategy
— The financial statements and accounting policies
— Acquisitions, disposals and capital expenditure
— Financing and capital structure
— Corporate governance
— Internal control and risk management
— Board membership and remuneration
— Appointment and remuneration of auditors

The Board also takes a close interest in Quality, Health and Safety and Risk Management and has these as standing items on its meeting agendas.

The Chairman sets the agenda for the Board meeting in consultation with the Chief Executive Officer and the Company Secretary. Board papers covering the agenda items are circulated several days ahead of each meeting. Regular board papers cover Product and Technical Development, Production, Business Development, Finance, Investor Relations, HR, Quality, Health & Safety and Risk Management.

There is a clear division of responsibilities between the Chairman and Chief Executive Officer.

Certain responsibilities are delegated to three board committees – the Audit, Nomination and Remuneration Committees. These Committees operate under clearly defined terms of reference which are disclosed on the Group's website. Reports from the Audit and Nomination Committees are included in this section and the Directors' remuneration report is on pages 51 to 68 incorporating the Remuneration Committee report.

The current Board members are set out on pages 40 to 41.

— Lorenzo Tallarigo joined the Board as non-executive Chairman on 1 February 2016. Dr Tallarigo met the independence criteria recommended by the UKCGC at the time of his appointment.

— Andrew Heath, the Senior Independent Director, is considered to be independent.

— Stuart Henderson joined the Board as a non-executive director on 1 June 2016 and became chairman of the Audit Committee. He is considered to be independent.

— Martin Diggle is a founder of Vulpes Investment Management which, through its Vulpes Life Sciences Fund, is the Group's largest investor and as such he is not considered independent under the Code.

— The Group therefore has been in compliance with provision B.1.2 of the Code which recommends that a small company, defined as one which is not in the FTSE350, should have at least two independent non-executive directors excluding the Chairman.

Each director is provided with an appropriate induction on appointment.

All directors and the Board and its committees have access to advice and services of the Company Secretary, and also to external professional advisers as required. The appointment and removal of the Company Secretary is a matter for the Board as a whole to consider.

Board meetings

The Board meets regularly with meeting dates agreed for each year in advance. During 2016 there were eight regular Board meetings. The attendance of individual directors at Board and Committee meetings was as follows:

	Regular Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Lorenzo Tallarigo	7	7					1	1
Nick Rodgers	3	3	4	4	1	1		
Andrew Heath	8	8	6	6	6	6	1	1
Stuart Henderson	5	5	2	2	4	4		
Martin Diggle	8	8			6	6	1	1
John Dawson	8	8						
Peter Nolan	8	8						
Tim Watts	8	8						
Paul Blake	3	3						

In addition to the above regular meetings, the Board (or an appointed sub-committee of the Board) met on a number of other occasions to consider specific ad hoc matters including the approval of the 2015 financial statements and the interim 2016 financial results, and matters relating to the fundraising activities that took place in 2016.

The Chairman holds meetings from time to time with non-executive directors without the executive directors in attendance.

Corporate governance report

Board activity during 2016

Board matters during 2016 included:

— Routinely recurring items such as the approvals of the 2016 financial budget and objectives, the 2015 preliminary results and Annual report, and the 2016 interim results announcement

— A review of the Group's strategy, conducted during the first few months of the year

— The financing requirements and approval of the fundraises completed in February 2016 and September 2016

— Monitoring the progress of the Group's priority product development programmes

— Reviewing business development opportunities including partnering and collaboration transactions

— The appointment of Stuart Henderson as a director

— Ongoing reviews of the Group's risk management processes and key risks

— Implementation of the new Market Abuse Regulations

Review of performance

Between the December 2016 and January 2017 board meetings, Lorenzo Tallarigo conducted a review of the Board's performance during 2016. The review process comprised the completion by each director of a comprehensive questionnaire covering all aspects of a board's performance. The completed questionnaires were sent to Dr Tallarigo for his confidential review which he then summarised for discussion at the January 2017 board meeting. The main conclusions from this review were that, while the Board's performance was broadly satisfactory, several areas were identified which could enhance the Board's performance:

— Recruiting one or two more independent non-executives so as to have more options for sub-committee membership and to add more experience and expertise to the Board, particularly in the areas of gene and cell therapy scientific developments, bioprocessing and product development

— Prior to board meetings, there should be more emphasis placed on preparatory discussions between the Chairman and CEO, and the Audit Committee Chair and CFO. Also, more focus in board papers will be given to providing clear and concise executive summaries with detailed supporting analyses and data provided in appendices

— The Board will invest more time in succession planning

Retirement of directors

In accordance with the articles of association, at each annual meeting any director who was appointed after the last annual general meeting or has served for three years, and one third of the other directors (or if their number is not a multiple of three the number nearest to but not exceeding one third) retire from office by rotation.

At the 2017 annual general meeting Andrew Heath and Peter Nolan will retire from the Board and stand for re-election in accordance with Articles 33 and 38 of the Company's Articles of Association.

Communication with shareholders

The Board recognises the importance of effective communication with shareholders and potential investors. The primary points of contact are the Chief Executive Officer and Chief Financial Officer but the Chairman and Senior Independent Director are also available for meetings with investors if required. Vulpes Life Sciences Fund ("VLSF"), the Company's largest investor, is represented on the Board by Martin Diggle ensuring a clear channel of communication with VLSF.

The Group has engaged with shareholders and potential investors through the various channels below:

Meetings with existing shareholders	John Dawson and Tim Watts met with major shareholders during 2016 as part of the two fundraise processes. Lorenzo Tallarigo has also met with major shareholders.
2016 Annual General Meeting	The 2016 AGM was held in London on 7 June 2016. Shareholders were invited to attend this meeting which lasted for about two hours and which, as well as the formal business, included a presentation by the Chief Executive Officer followed by a Q&A session and a chance to meet directors after the meeting closed.
Meetings with potential investors	The CEO and CFO regularly make presentations and meet potential investors on a one-to-one basis at investor conferences in Europe and the US. The Company also conducts investor roadshows periodically which provide further opportunities to meet potential investors. During 2016 roadshows were held both as part of the fundraise transactions and also at other times. In total, around 200 one-to-one meetings with potential investors were held during 2016.
Results announcements and presentations	The Group announced its 2015 full year performance and financial results in April 2016, and its 2016 half year interim results in September 2016 through RNS announcements accompanied by analyst conference calls which are accessible to all shareholders and recordings of which are made available on the Group's website.
2015 Annual report	The Group published its 2015 Annual report in May 2016.
Website	The Group's website oxfordbiomedica.co.uk contains details of the Group's activities as well as copies of regulatory announcements and press releases, copies of the Group's financial statements, and terms of reference for the Board Committees. Investors and others can subscribe to an e-mail alert service which provides notifications of announcements.
Investor relations	The Group also endeavours to respond to all enquiries from shareholders and potential investors received through its enquiry inbox enquiries@oxfordbiomedica.co.uk
Print Media	Management meet periodically with journalists from the UK national newspapers and from healthcare trade journals. Most recently several journalists visited Windrush Court in February 2017.
Social media	The Group also uses Twitter to alert followers to relevant sector news which is relevant to the Group.

The Senior Executive Team (SET) and its committees

Operational management is conducted by the executive directors who, together with Kyriacos Mitrophanous (Chief Scientific Officer) and James Miskin (Chief Technology Officer), form the Senior Executive Team (SET). The Chief Executive Officer is John Dawson. The SET meets approximately every two weeks and its agenda covers the full range of activities of the Group, including financial performance, organisational and employment matters, risk management and Health & Safety.

There are three SET sub-committees covering the major business operational areas. These committees meet monthly and are attended by SET members and other relevant senior managers from the business. These sub-committees are:

— Product Development Committee (PDC) – covering the development of new gene and cell therapy products from initial concept through to clinical development

— Technical Development Committee (TDC) – covering the development of new and improved assays and production and other processes, including cell and vector engineering

— Quality and Manufacturing Operations Committee (QMOC) – covering the Group's bioprocessing activities

Within their area of responsibility these committees cover objective and target setting, monitoring performance against targets, ensuring compliance with GxP and other relevant requirements, monitoring expenditure against budget and risk management.

There are two other important committees:

— Business Development Committee (BDC) – which covers the external opportunities to out-licence and in-licence technology or product candidates, and also to generate partnership opportunities for bioprocessing and product development

— Risk Management Group (RMG) – this group comprises senior managers from all parts of the business. The group meets at least quarterly to identify and assess risks facing the business and to propose risk mitigation and management actions

Important matters from all of these committees are referred to the SET.

Corporate governance report

Risk management

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving the objectives of the Group and it reviews current key risks at every Board meeting. The Audit Committee monitors the conduct of the risk management processes within the Group whilst the SET is accountable for those processes, identifying the risks facing the Group and formulating risk mitigation plans. The active involvement of the executive directors in the management sub-committees allows them to monitor and assess significant business, operational, financial, compliance and other risks.

Board committee reports

Audit Committee report

The Audit Committee comprises Stuart Henderson and Andrew Heath. At the beginning of 2016 the Audit Committee comprised two non-executive directors – Nick Rodgers, the outgoing Chairman, and Andrew Heath. Since provision C.3.1 of the Code states that a company chairman should not chair the Audit Committee, the Board had recognised that this arrangement was not in compliance with the Code. However since the appointment of Stuart Henderson as a director on 1 June 2016 when he also became chairman of the Audit Committee this non-compliant situation has been resolved.

Mr Henderson and Dr Heath both have relevant experience which qualifies them for membership of the Audit Committee and, in Mr Henderson's case, to be Chair of the Committee. Their experience is set out in their brief biographies on pages 40 and 41.

The primary duties of the Audit Committee, as set out in its written terms of reference which is available on the Group's website, are to:

— Keep under review the Group's reporting and internal control policies and procedures

— Oversee the relationship with the external auditors including their appointment, subject to approval by shareholders at the AGM, remuneration, independence, and the provision of non-audit services

— Review and recommend to the Board the financial statements and associated announcements

Provision C.3.5 of the Code states that the Audit Committee should review the effectiveness of the Group's internal audit function. The Audit Committee considers that, given the size of the Group, it is unnecessary for it to have an internal audit function. However, the Committee regularly reviews this at its meetings with the external auditors.

The Audit Committee met six times in 2016:

— January 2016 – to consider the audit strategy for the 2015 financial year and approve the audit fees. The key audit risks identified were the recognition of revenues from the Novartis October 2014 contracts, the fair value calculation of the Oberland loan facility, the level of capital expenditure and the valuation of the tangible fixed assets, and going concern

— March 2016 – to review the audit process at that time. No major concerns had arisen in respect of the key audit risks identified at the January meeting. Revenues from the Novartis contract had been recognised consistently with the methodology agreed for 2014 and used for the interim financial statements for 2015. The auditors concurred with the accounting for the Oberland loan facility, including the fair value calculation. The substantial expenditure on property, plant and equipment during 2015 had been properly recorded and valued, and the provision covering the dilapidation of the Medawar Centre had been reviewed and was considered adequate. The auditors had also reviewed and were satisfied with the valuation of inventory. No significant audit adjustments had been identified by the auditors, and there were no material observations regarding the financial internal control procedures

— 6 April 2016 – to review the Group's assessment of its internal controls, approve the non-audit fees paid to PwC during 2015, to review PwC's independence and effectiveness and to consider the re-appointment of PwC for the 2016 audit. The Committee reviewed management's self-assessment of internal controls in conjunction with the auditors' reports from 2014, procedures carried out on the interim 2015 financial statements, and the 2015 audit and concluded that the internal controls were appropriate and reliable. The review of non-audit fees paid to PwC during 2015 included fees relating to due diligences services in relation to corporate activities under evaluation by the Group. The Committee confirmed that it had been aware of and had approved PwC's engagement in this work at the time

The review of PwC's independence noted that this was the third year of the audit partner's involvement with the Group, whilst the senior manager on the audit was in his first year. Despite the material non-audit fees received by PwC during 2015 caused by work relating to the business development projects during 2015, there was no evidence that PwC's independence or judgement was compromised

Regarding the re-appointment of PwC as auditors, the Committee was aware at that time that the appointment of a new non-executive director who would become chairman of the Committee was underway and therefore the Committee decided to propose to the full board that the decision to re-appoint PwC should be delayed until the new Committee chairman could be involved. As reported in the 2015 Annual report the Board concluded that the new Audit Committee chairman should conduct a review in the second half of 2016 and report to the Board. Pending this review the Board decided to recommend to shareholders that PwC should be re-appointed as auditors for 2016, and a resolution to this effect was approved at the 2016 AGM

— 25 April 2016 – to review the status of the 2015 audit and Annual report and to review the draft going concern and viability statements to be included in the Annual report. The Committee considered these matters and concluded that there were no further issues arising from the audit work since the meeting on 6 April 2016. The going concern position and the viability statement were considered. Management's cash flow forecasts showed the cash runway extending into the third quarter of 2016 without accessing the $10 million cash ring-fenced under the Oberland agreement. Management also reported on potential transactions that could bring in additional cash and the potential appetite from investors. After due discussion the Committee confirmed that these matters had been considered by the full board and agreed that the proposed wording of the going concern and viability statements was appropriate and should be included in the 2015 Annual report and RNS announcement of the preliminary results

— August 2016 – to review the procedures undertaken by PwC on the six months' financial results to 30 June 2016. The main items which were discussed related to revenue recognition, the carrying value of tangible fixed assets following the Group's capacity expansion programme, the provision for the annual R&D tax credit and the currency loss incurred on the Oberland loan following the significant devaluation of the pound sterling following the Brexit vote in June 2016

— November 2016 – to review the 2016 audit strategy and audit fees, consider the need for auditor rotation, to update the Committee on the change in provider of tax services, and to consider the Group's risk management processes. The Committee accepted the audit strategy proposed by PwC. Significant risks identified continue to include revenue recognition and going concern, with other risks including the accounting for the Oberland loan facility, carrying value of tangible fixed assets and the implementation in August 2016 of the Group's new ERP system. The audit fees for 2016 were approved. In June 2016 the FRC published a revised Ethical Standard which applies to audit engagements. One immediate impact, with effect from 1 January 2017, is that auditors are no longer permitted to provide tax compliance or advisory services to their audit clients. As a result, the Group conducted a tender process during October/November 2016 which resulted in Deloitte being appointed in place of PwC to provide tax compliance and advisory services to the Group from 1 January 2017. The Audit Committee approved this appointment. A second impact of the FRC Ethical Standard concerns the rotation of auditors. Companies listed on the London Stock Exchange main market will ultimately be required to tender the audit at least every 10 years and to change the auditor after a maximum of 20 years. Transitional rules apply which mean that, for Oxford BioMedica, PwC could potentially continue to audit the Group until 2022. However the Committee noted that Stuart Newman, the current Senior Statutory Auditor, is due under PwC's internal procedures to rotate off the Group's audit after the 2017 audit.

Corporate governance report

The Committee therefore decided to recommend to the Board that the audit should be tendered during 2017 for the 2018 audit, and that PwC should not be invited to tender so as to ensure that there will be a change of auditor in 2018. The Board agreed with this proposal and therefore recommends to shareholders that PwC are re-appointed at the 2017 AGM for the 2017 audit

— March 2017 – to review the 2016 audit and draft Annual report and financial statements. PwC reported on their audit work to the Committee. In particular they commented on several revenue recognition items requiring management judgement but they concluded that they concurred with management's treatment of the specific items. The Committee also discussed the appropriateness of the going concern assumption and the viability statement. Regarding the going concern assumption, the Committee noted that the dependency on Novartis business was a key element but that, based on current firm orders for manufacturing batches from Novartis and the apparent progress being made by Novartis towards regulatory approval of CTL019, the Board had reasonable confidence in this business over the next twelve months. The Committee concluded that, although there remains some uncertainty, the Board has reasonable grounds for preparing the financial statements on the going concern basis. The viability statement has been prepared using a three year horizon to the end of 2019 which the directors consider to be an appropriate period given the inherent difficulties of forecasting revenues beyond three years for a business which is based on an emerging technology such as gene and cell therapy. Similar to the going concern conclusion, the Committee noted that the Board has reasonable grounds, although not certainty, to expect that revenues from Novartis and other existing and potential new customers will be sufficient such that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to December 2019. The Committee also reviewed other matters including the quality of the 2016 audit process, in particular auditor independence and associated firm culture, auditor scepticism, use of data analytics and impairment testing. The Committee concluded that it was satisfied with the quality of the audit

The effectiveness of the Audit Committee was considered as part of the Board performance review carried out during December 2016 and January 2017 and was considered to be satisfactory.

Internal control

The directors are responsible for Oxford BioMedica's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Audit Committee annually reviews the effectiveness of all significant aspects of internal control, including financial, operational and compliance controls and risk management. The review for 2016 was prepared by the Chief Financial Officer and the Financial Controller and was reviewed at the March 2017 Audit Committee meeting.

The main features of the internal control and risk management processes which apply to the Group's financial reporting processes include clear separation of duties within the financial processes such as approval of purchase orders, payroll and disbursements, and an organisation of the finance function such that monthly management results and externally reported financial statements are subject to thorough review by the Group Financial Controller and Chief Financial Officer. The financial results are also reviewed by the Senior Executive Team and the Board.

Nomination Committee report

The Nomination Committee leads the process for making appointments to the Board, and comprises the non-executive directors.

The Nomination Committee met several times in 2016 on an ad hoc basis to consider the recruitment process and ultimate appointment of Stuart Henderson as a non-executive director and chairman of the Audit Committee.

Share capital

The information about the share capital required by the Takeover Directive is in the Directors' report on page 70.

Directors' remuneration report

for the year ended 31 December 2016

Introduction

This report is on the activities of the Remuneration Committee. It is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The report contains:

— The annual statement from the Remuneration Committee chair

— The annual report on remuneration showing payments and awards made to the directors and explaining the link between company performance and remuneration for the 2016 financial year

— The Directors' remuneration policy, setting out the policy as approved by shareholders at the 2015 AGM and which the Committee proposes to apply for 2017

The annual statement and the report on 2016 remuneration are subject to an advisory vote at the Company's 2017 AGM. The remuneration policy was subject to a binding shareholder vote at the 2015 AGM and the Committee does not propose any changes to the policy in respect of 2017. Accordingly, shareholder approval for the policy is not sought at the 2017 AGM.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the regulations. The parts of the report that are subject to audit are indicated. The statement from the chair of the Remuneration Committee and the policy report are not subject to audit.

Remuneration Committee role and members

The responsibilities of the Remuneration Committee are set out in its terms of reference which are available on the Group's website and include:

— Recommending to the Board the policy and framework for the remuneration of the executive directors and senior management. The remuneration of the non-executive directors is a matter for the Chairman

— Approval of individual remuneration packages for executive directors

— Approval of annual performance incentive plans and bonuses payable

— Approval of the Group's Long Term Incentive Plan (LTIP) for executive directors and senior management, and awards granted under the plan

— Approval of options granted to all employees under the Group's share option plan

The Remuneration Committee members are currently Andrew Heath (Chairman) and Stuart Henderson. Martin Diggle was a member of the Committee until 31 December 2016 but, as he is not considered to be independent for reasons explained in the Corporate Governance Report (page 44), he has stepped down from formal membership of the Committee although he retains "observer" status and therefore continues to receive all papers and has a standing invitation to attend all meetings. Other directors are invited to attend meetings on an agenda driven basis.

Directors' remuneration report

for the year ended 31 December 2016

Annual statement from the Remuneration Committee chair

(not subject to audit)

Dear Shareholder

I am pleased to introduce our remuneration report for the 2016 financial year. Our approach is based on the remuneration policy approved by shareholders at the 2015 AGM, with over 99% of the votes in favour.

In accordance with the applicable legislation, we will be required to submit our remuneration policy for shareholder approval at the 2018 AGM. During 2017 the Committee proposes to review the policy and consider what changes, if any, are required to it to take account of changes in best practice since 2015 and to ensure it remains appropriate to support our strategy for the following three years.

Remuneration Committee activities during 2016

During 2016 the Committee met six times. The main activities and decisions were as follows:

— February 2016 – the Committee considered whether or not bonuses should be paid to the executive directors in respect of 2015 in light of the performance against the Group's 2015 objectives, and also whether there should be salary increases for 2016. The outcome of these discussions was reported in the 2015 Annual report

— May 2016 – the Committee considered and approved proposals for the granting of options under the Company's Long Term Incentive Plan (LTIP), the Deferred Bonus Plan (DBP) and the Employee Share Option Plan (ESOS). Options were granted under the LTIP and DBP to the members of the Senior Executive Team and to all other qualifying employees under the ESOS. Details of the awards to executive directors are set out on page 56 of this report. Our policy permits us to make awards to executive directors of up to 100% of salary. However, taking into account the share price at the date of grant the 2016 awards were scaled back to the level of 45% to ensure that executive directors did not benefit from windfall gains on a share price recovery and so that awards to the wider workforce could continue to be made

— June 2016 – the Committee considered the extent to which the share price performance conditions for the June 2013 LTIP grant of options had been met. The outcome was that 50% of the options granted in 2013 vested and the remaining 50% lapsed

— June 2016 – the Committee approved the partial vesting of Deferred Bonus Plan options granted in 2014 and 2015. DBP options vest in three equal instalments on the first, second and third anniversaries of the grant

— September 2016 and October 2016 – In September the Committee approved an invitation to all employees to participate in the 2016 offer under the Company's ShareSave Plan. In October the Committee approved the grant of options under this offer

2016 business performance and incentive impact

In February 2017 the Committee met to consider the achievement of 2016 objectives and the annual bonus award for 2016.

The performance of the business in 2016 is set out in detail in the strategic report from pages 8 to 31 and the performance against corporate objectives is set out on page 55 of this Remuneration report. Taking all of these factors into account the Committee decided to award John Dawson a bonus of 62.5% of base salary (50% of the 125% maximum permissible under the remuneration policy) and 68.75% to both Peter Nolan and Tim Watts. The 2016 bonuses will be paid 50% in cash and 50% in deferred share awards. Further details are provided on page 55 with regards to how performance under the annual bonus targets translated into bonus payment.

Vesting of the 2013 LTIP award

LTIP awards were granted on 12 June 2013 when the share price was 1.7p; the vesting conditions were as follows:

Share price at 12 June 2016	Percentage of the options granted that will vest
Less than 5p	0%
5p – 7.5p	Calculated on a straight line basis between 25% and 100%
7.5p and above	100%

As reported in the 2015 Annual report, the awards contained a provision for "banking" part of the awards based on interim share price performance and this had led to 50% of the awards being banked as the average share price had been well above 7.5p in the three months to June 2015. The average share price in the three months to 12 June 2016 was 5.6p which would have resulted in vesting of 43% of 12 awards. Accordingly the Committee approved the vesting of the 50% of the June 2013 LTIP which had already been banked in June 2016. The other 50% of the awards lapsed.

Banking of June 2014 LTIP awards

As reported in the 2015 Annual report, 25% of the June 2014 LTIP awards were banked, but did not vest, in June 2015 reflecting the share price performance leading up to the first anniversary of grant. The share price performance in the three months prior to the second anniversary in 2016 was such that no further banking occurred in 2016. The banked 25% is scheduled to vest in June 2017; any further vesting will depend on the share price performance in the three months prior to the third anniversary of the grant.

On 20 June 2017 the performance criteria for the LTIP awards granted on 20 June 2014 will be assessed. The average share price for the three months preceding 20 June 2014 was below 2.5p and vesting conditions were set as follows:

Share price at 20 June 2017	Percentage of the options granted that will vest
Less than 5p	0%
5p – 7.5p	Calculated on a straight line basis between 25% and 100%
7.5p and above	100%

Banking of later LTIP awards

Awards granted from 2015 onwards do not have "banking" provisions included.

Dr Paul Blake has retired from the Group with effect from 31 August 2016. Dr Blake did not receive a bonus for 2016 and he was not granted any options in 2016. He has been allowed to retain his LTIP awards granted in 2014 and 2015 which will vest according to the performance criteria set at the time.

Proposed approach to executive remuneration for 2017

Under the remuneration policy executive directors' base salaries are normally reviewed annually. The Remuneration Committee has carried out this review in February 2017 and has awarded the following base salary increases:

Name	Current Salary	Percentage Increase	Total of Increase	New Salary
John Dawson	£341,700	2.5%	£8,540	£350,240
Peter Nolan	£211,150	2.5%	£5,280	£216,430
Tim Watts	£219,300	2.5%	£5,480	£224,780

Salary changes for 2017 for the executive directors have been set relative to the wider workforce (median average salary increases across the business for 2017 are around 2.5%).

Performance objectives for the Group have been agreed by the Board and the extent to which executive directors' bonuses for 2017 are earned will be determined by the Remuneration Committee early in 2018 in the light of performance against those objectives and in line with the remuneration policy. The performance measures are based on the Company's strategic priorities, and further information is given on page 60.

The Committee also intends to grant LTIP options to the executive directors during 2017 up to 100% of salary in accordance with the approved remuneration policy. The awards will be subject to performance measures which will be set at the time of grant but which are likely to be related to share price performance.

Other matters

The Committee recognises the expectations of our shareholders on executive pay and we were pleased that the 2015 Directors' remuneration report received votes in favour in excess of 99% at the 2016 AGM. Shareholders will be invited to approve the 2016 annual remuneration report at the 2017 AGM.

Andrew Heath
Chair, Remuneration Committee

Andrew Heath was appointed a director in January 2010 and became Deputy Chairman and Senior Independent Director in May 2011

Annual report on remuneration

(subject to audit except where indicated)

Single total figure of remuneration

The following tables show a single total figure of remuneration for 2016 for each director and comparative figures for 2015.

2016	Salary £'000	Benefits[1] £'000	Bonus £'000	LTIP[2] £'000	Pension[3] £'000	Total £'000
John Dawson	342	1	211	47	52	653
Paul Blake[4]	167	17	–	–	22	206
Peter Nolan	211	1	144	25	35	416
Tim Watts	219	–	151	29	29	428
Total	**939**	**19**	**506**	**101**	**138**	**1,703**

2015	Salary £'000	Benefits £'000	Bonus £'000	LTIP £'000	Pension £'000	Total £'000
John Dawson	335	6	176	165	50	732
Paul Blake	228	15	122	–	33	398
Peter Nolan	205	4	125	87	31	452
Tim Watts	215	–	117	150	28	510
Total	**983**	**25**	**540**	**402**	**142**	**2,092**

1. Benefits comprise medical insurance
2. This comprises the LTIP awards granted in 2013 which vested in June 2016. The relevant performance criteria and the performance against them are set out in the Remuneration Committee Chairman's statement on page 53. The values are calculated by reference to the share price of 1.7p on 12 June 2013
3. Pension contributions are made into the Group's defined contribution scheme or at the election of the director as a cash allowance in lieu of a company pension contribution – Paul Blake and Tim Watts have elected to receive such a cash allowance
4. Paul Blake stepped down from the Board at the AGM on 7 June 2016 and his employment contract expired on 31 August 2016

During 2016 there were no payments to former directors (2015: £nil) and no payments for loss of office (2015: £nil) although Paul Blake was allowed to retain his 2014 and 2015 LTIP awards (p53).

In February 2017 the Committee met to consider the achievement of 2016 objectives and the annual bonus award for 2016. The performance of the business in 2016 is set out in detail in the strategic report from pages 8 to 31.

Performance against the Group objectives for 2016, on which the executives bonuses are based, was as follows:

Objective	Weighting	Performance assessed
Product development	40%	Assessed at 8%. Progress of OXB-102 and OXB-202 did not meet specified targets. However greater clarity on the overall gene and cell therapy strategy had been achieved, including prioritisation of the Group's programmes
Bioprocessing and process development	31%	Assessed at 31%. This has been an area of significant success in 2016. Delivery of Novartis requirements was in line with objectives, expansion of the manufacturing and laboratory facilities was achieved, gross income grew by more than 50% and significant new contracts were secured.
Intellectual property	4%	Assessed at 3%. Good progress was made in building the Group's IP, including the TRIP patent filing.
Corporate	25%	Assessed at 8%. The shareholder base was broadened during the year but confidential challenging operating loss and cash flow targets were not met.

Taking all of these factors into account, in respect of corporate objectives the Committee decided to award the executive directors bonuses of 50% of the maximum which was 125% of base salary for 2015. John Dawson's bonus is entirely linked to the achievement of corporate objectives. Bonuses for Peter Nolan and Tim Watts are 80% linked to corporate objectives and 20% linked to personal objectives. Both Mr Nolan and Mr Watts were awarded 75% of their personal targets.

The 2016 bonuses will be paid 50% in cash and 50% in deferred share awards. The deferred share awards are not subject to further performance targets and will vest in three equal instalments on the first three anniversary dates after the award date provided that the relevant participant remains employed at the 1st anniversary of the award.

The single total figures of remuneration for non-executive directors are shown in the table below:

Fees	2016 £'000	2015 £'000
Lorenzo Tallarigo[1]	**138**	–
Andrew Heath	**46**	46
Stuart Henderson[2]	**31**	–
Nick Rodgers[3]	**25**	75
Daniel Soland[4]	**–**	26
Total	**240**	147

1. From 1 February 2016
2. From 1 June 2016
3. Until 30 April 2016
4. Daniel Soland resigned from the Board on 5 January 2016

Martin Diggle has elected to receive no fees for his services as a director.

Aggregate directors' emoluments	2016 £'000	2015 £'000
Salaries	**939**	983
Benefits	**19**	25
Pension /cash alternative	**138**	142
LTIP	**101**	402
Bonuses	**506**	540
Non-executive directors fees	**240**	147
Total	**1,943**	2,239

LTIPs awarded during 2016

On 16 May 2016, the executive directors were awarded the following options under the Group's LTIP scheme:

	Number of options granted	Face value of grant
John Dawson	2,798,780	£153,765
Peter Nolan	1,729,478	£95,018
Tim Watts	1,796,232	£98,685

The number of options awarded was calculated by reference to 45% of salary divided by the average share price in the five business days preceding the award (5.5p).

The awards are nil cost options and are subject to a three year vesting period. They are exercisable from the third anniversary of the award, subject to the achievement of the performance condition set out below:

Average annual compound share price growth over the three year period starting with the date of grant*	Percentage of the options granted that will vest
Less than 15%	0%
15% (i.e. 52.1% over 3 years)	25%
Between 15% and 25%	Calculated on a straight line basis between 25% and 100%
25% or more (i.e. 95.3% over 3 years)	100%

* The starting share price is 5.5p being the average share price over the five business days preceding the date of grant and the end share price shall be calculated as the average of the closing price for the 20 business days prior to 16 May 2019

Statement of directors' shareholding and share interests

The executive directors are encouraged to build up a shareholding but there is no specific required target level. The interests in shares of the directors who served during the year as at 31 December 2016 (or, if earlier, the date of their retirement) were as follows:

	Shares held outright		Vested but unexercised options		Unvested deferred bonus plan		Unvested LTIP awards subject to performance conditions	
Executive directors	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
John Dawson	3,925,685	2,782,829	12,302,989	8,328,769	3,242,816	2,827,693	10,498,062	13,276,747
Peter Nolan	1,668,634	883,313	5,967,406	3,863,303	2,024,806	1,528,766	6,165,349	7,369,364
Tim Watts	7,395,124	5,918,934	8,864,136	6,441,678	2,089,348	1,755,273	6,710,697	8,294,747
Paul Blake[1]	2,783,289	2,624,559	76,120	–	1,357,783	228,359	3,996,942	3,996,942
Non-executive directors								
Lorenzo Tallarigo[2]	1,784,122	–						
Martin Diggle[3]	580,765,333	451,284,439						
Andrew Heath	1,500,000	1,200,000						
Stuart Henderson	333,833	500						
Daniel Soland[4]	1,397,765	1,397,765						

1. Paul Blake stepped down from the Board on 7 June 2016 and left the business on 31 August 2016
2. Lorenzo Tallarigo joined the Company as Chairman on 1 February 2016 and held no shares at his date of joining
3. Includes interest of Vulpes Life Science Fund, Vulpes Testudo Fund and other parties connected to Martin Diggle
4. Daniel Soland resigned from the Board on 5 January 2016

During 2016 the following options have vested and lapsed:

LTIP[1]	Unvested at 31 December 2015	Vested during 2016	Lapsed during 2016	Awarded during 2016	Unvested at 31 December 2016
John Dawson	13,276,747	2,788,732	2,788,733	2,798,780	10,498,062
Paul Blake	3,996,942	–	–	–	3,996,942
Peter Nolan	7,369,364	1,466,746	1,466,747	1,729,478	6,165,349
Tim Watts	8,294,747	1,690,141	1,690,141	1,796,232	6,710,697

Deferred bonus[2]	Unvested at 31 December 2015	Vested during 2016	Awarded during 2016	Unvested at 31 December 2016
John Dawson	2,827,693	1,185,487	1,600,611	3,242,816
Paul Blake	228,359	76,120	1,205,544	1,357,783
Peter Nolan	1,528,766	637,356	1,133,397	2,024,806
Tim Watts	1,755,273	732,317	1,066,392	2,089,348

1 The LTIP awards made on 12 June 2013 were set at a time when the share price was 1.7p and they had a vesting period of three years. The performance condition was that no vesting would take place unless the share price had at least doubled to 5p at the third anniversary of grant, at which point 25% of the options would vest. The average share price over the three months to 12 June 2016 was 5.6p which would have resulted in 43% of the awarded options vesting. However, as reported in the 2015 Annual report, the LTIP awards granted in 2012, 2013 and 2014 had contained a provision for "banking" part of the awards based on interim share price performance and this had led to 50% of the June 2013 grant being banked as the average share price had been well above 7.5p in the three months to June 2015. Accordingly the Committee approved the vesting of 50% of the June 2013 LTIP on the third anniversary of the grant. The other 50% of the granted options have lapsed

2 Under the Deferred Bonus Plan, one-third of each year's deferred bonus award vests on each of the first, second and third anniversaries after the award. Accordingly the second one-third of the deferred bonuses awarded in June 2014 in respect of 2013 performance vested in June 2016, as did the first third of the deferred bonuses awarded in June 2015 in respect of 2014 performance

On 20 June 2017 the performance criteria for the LTIP awards granted on 20 June 2014 will be assessed. The average share price for the three months preceding 20 June 2014 was below 2.5p and vesting conditions were set as follows:

Share price at 20 June 2017	Percentage of the options granted that will vest
Less than 5p	0%
5p – 7.5p	Calculated on a straight line basis between 25% and 100%
7.5p and above	100%

For the LTIP awards made in June 2012, June 2013 and June 2014 there was a provision for "banking" part of the award in the event that the performance targets had been achieved at the 1st and 2nd anniversaries. Since the share price in June 2015 was above 7.5p at the first anniversary of the June 2014 award, 25% of the award was banked (but not vested) in June 2015. These banked options will vest on the 3rd anniversary of grant in 2017. Any further vesting of the June 2014 grant will depend on the share price performance in the second quarter of 2017.

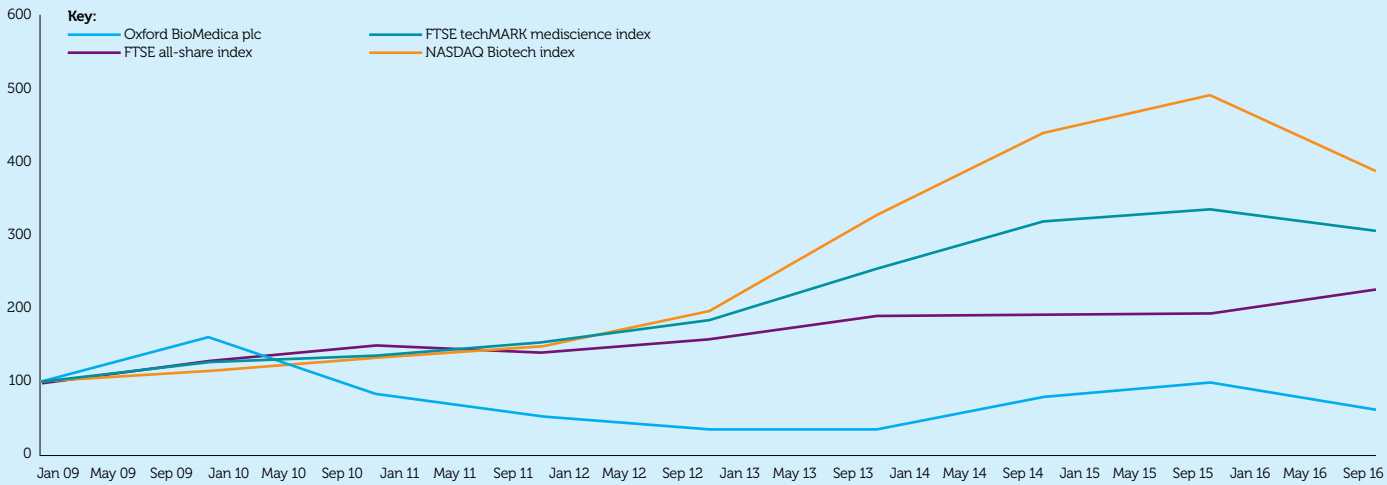
2014 LTIP	Awarded 20 June 2014[1]	25% banked but not vested on 20 June 2015
John Dawson	4,950,000	1,237,500
Paul Blake	2,109,375[1]	–
Peter Nolan	2,753,475	688,368
Tim Watts	3,150,000	787,500

1. Paul Blake's 2014 LTIP award was granted on 7 October 2014, after his appointment as an executive director on 1 September 2014. The performance of this award is to be measured on the 3rd anniversary, by reference to the growth in the share price. The base share price is set at 4.0p, the average share price for the 5 business days preceding the award. The share price must grow by at least 30%. Below this no options will vest. At 60% growth, 100% of the options will vest. Between 30% and 60% share price growth, the proportion of the award that will vest will be calculated on a straight line basis. No banking of options applies to this award

Performance graph and comparison with CEO's remuneration

(not subject to audit)

The chart below illustrates the Company's TSR performance since January 2009 relative to the FTSE all-share index and the FTSE techMARK MediScience index. The FTSE all-share index has been selected because it represents a broad-based measure of investment return from equities. The FTSE techMARK mediScience index, comprising biotech companies, provides a second benchmark that is a more specific comparator.



CEO's remuneration in last eight years

(not subject to audit)

Year		2009	2010	2011	2012	2013	2014	2015	2016
CEO's total single figure of remuneration	£'000	817*	450	413	401	468	680	732	653
LTIP vesting	% of maximum	0%	0%	0%	40%	0%	0%	100%	50%

* On 1 September 2009 1,500,000 new Ordinary Shares were allotted to John Dawson. The shares were fully paid, and were a one-off share based bonus payment, in accordance with his contract of employment, for successful achievement of certain transactions with Sanofi in April 2009. The value of the shares at the closing mid-market price on the trading day immediately prior to issue was £172,500 and the Company bore an additional cost of £120,000 required to gross up the value of the shares for income tax and National Insurance. Mr Dawson also received a regular bonus of 80% of maximum

Percentage change in CEO's remuneration

(not subject to audit)

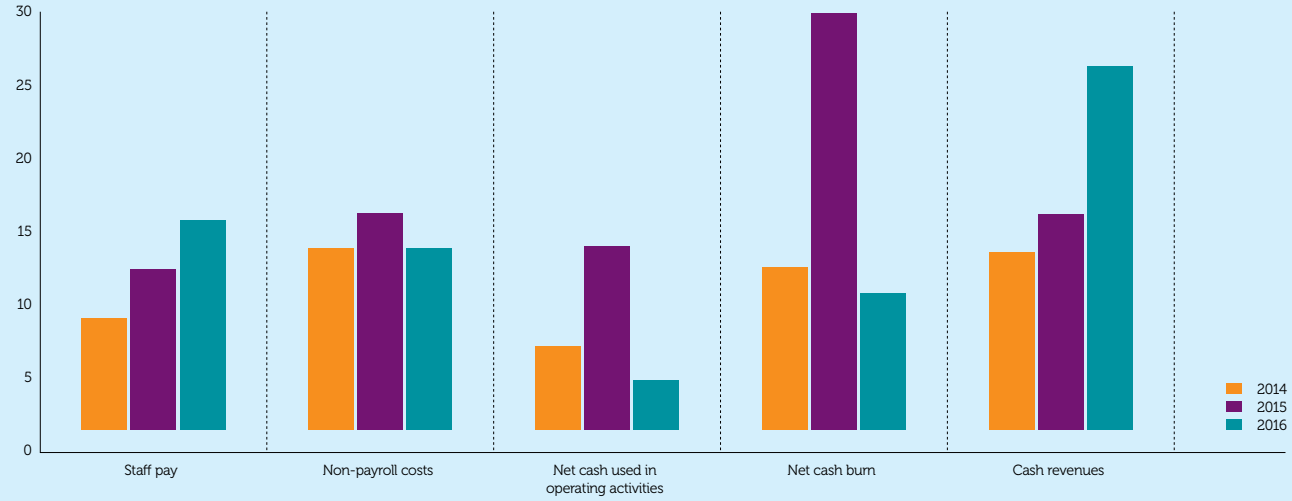
The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2015 and 2016 compares with the equivalent changes in those components for a group of employees. As 2015 and 2016 have seen significant changes in headcount numbers, the Committee has chosen as the comparator group all those employees other than the CEO who were employed throughout the whole of both 2015 and 2016.

	Salary			Benefits			Bonus		
Year	2016	2015	% increase	2016	2015	% increase	2016	2015	% increase
John Dawson	342	335	2.5%	1	6	(83%)	211	176	20%
Comparator employee group	4,771	3,961	7.9%	56	33	53%	600	494	21%

Relative importance of spend on pay

(not subject to audit)

The chart below illustrates the spend on employee remuneration compared with the Group's key cash measures. Since the Group does not make dividend or other distributions, these have not been included in the table.



Directors' remuneration report

for the year ended 31 December 2016

Statement of implementation of remuneration policy in 2017

(not subject to audit)

The impact of the proposed remuneration under the policy approved in 2015 is as follows:

Salary	2017 £'000	2016 £'000
John Dawson	**350**	342
Peter Nolan	**216**	211
Tim Watts	**224**	219

Annual bonus

The precise definition of the bonus targets for 2017 are commercially sensitive. The Committee intends to disclose performance against the measures and the level of bonus earned when the measures are no longer considered commercially sensitive. The Committee's intention is that in the 2017 Directors' remuneration report the bonuses earned will be disclosed on a similar basis to the disclosure on page 55 of the basis on which bonuses were earned for 2016 but in broad terms they include:

Target area	Weighting
Support Novartis product launch	40%
Progress actions implementing strategy	25%
Business development	10%
Financial objectives	15%
Organisational objectives	10%

In accordance with the approved remuneration policy, 50% of any bonus earned will be deferred into a share award under the 2015 Deferred Bonus Plan.

Non-executive directors' fees

Fees	2017 £'000	2016 £'000
Lorenzo Tallarigo[1]	**150**	138
Nick Rodgers[2]	**–**	25
Andrew Heath	**46**	46
Stuart Henderson[3]	**53**	31
Total	**249**	240

Martin Diggle has elected to receive no fees for his services as a director.

1. Lorenzo Tallarigo was appointed to the Board with effect from 1 February 2016. One-third of Dr Tallarigo's fees after tax is being invested in the Company's shares through market purchase each month
2. Nick Rodgers resigned from the Board with effect from 30 April 2016
3. Stuart Henderson was appointed to the Board with effect from 1 June 2016

Statement of voting at AGM

(not subject to audit)

At the 2015 AGM, the 2015 Directors' Remuneration Policy was approved by shareholders as follows:

Resolution	Votes for (including discretionary)	% for	Votes against	% against	Total votes cast (excluding votes withheld)	Votes withheld (abstentions)
Approval of the Directors' remuneration report	1,564,090,812	99.86%	2,231,914	0.14%	1,566,322,726	8,042,775

At the 2016 AGM, the 2015 Directors' remuneration report was approved by shareholders as follows:

Resolution	Votes for (including discretionary)	% for	Votes against	% against	Total votes cast (excluding votes withheld)	Votes withheld (abstentions)
Approval of the Directors' remuneration report	1,482,856,907	99.9%	1,251,499	0.1%	1,484,108,406	7,772,168

Advisers to the Committee

The Committee did not seek advice from third parties during 2016.

Directors' remuneration policy

(not subject to audit)

The policy underlying the executive directors' incentive structure is to:

— Promote the long term success of the Group, with transparent and stretching performance conditions, which are rigorously applied

— Provide appropriate alignment between the Group's strategic goals, shareholder returns and executive reward

— Have a competitive mix of base salary and short and long term incentives, with an appropriate proportion of the package determined by stretch targets linked to the Group's performance

Policy table

(in effect from the 2015 AGM)

The policy table set out in the Directors' remuneration report in the 2014 Annual report was approved by shareholders at the 2015 AGM.

Component and purpose	Operation
Executive directors	
Base salary To provide a base salary which is sufficient to attract and retain executives of a suitable calibre.	Base salaries are initially set by reference to market information at the time of appointment and taking into account the previous package of the new director. Base salaries are normally reviewed annually taking into account: – underlying Group performance; – role, experience and individual performance; – competitive salary levels and market forces; and – pay and conditions elsewhere in the Group. Any changes are normally effective from 1 January.
Benefits To provide benefits consistent with the role and which are similar to comparable roles in other companies.	Benefits currently cover only medical insurance. Premia are paid monthly. Other benefits may be provided based on individual circumstances. These may include, for example, travel expenses.
Pension To provide funding for retirement.	The Group operates a defined contribution scheme for all employees including executive directors. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, executive directors may be permitted to take a cash supplement instead of contributions to a pension plan.
Sharesave Scheme To create alignment with the Group and promote a sense of ownership.	Executive directors are entitled to participate in a tax qualifying all employee Sharesave Scheme under which they may make monthly savings contributions over a period of three or five years linked to the grant of an option over the Company's shares with an option price which can be at a discount of up to 20% to the market value of shares at grant.
Annual bonus To encourage a market competitive package and to incentivise delivery of the Group's objectives. Delivery of 50% of any bonus payment via deferred shares is intended to align the incentive package with shareholders' interests.	Annual bonuses are determined by the Remuneration Committee. 50% of the bonus is delivered as cash. For up to two years following the payment of an annual bonus award, the Committee may require the repayment of some or all of the award in the circumstances set out at the foot of this table. 50% of the bonus is delivered through deferred shares structured as nil cost options which vest in three equal instalments on the first, second and third anniversaries of the award. The deferred shares are not subject to further performance targets although malus provisions apply which gives the Remuneration Committee the right to cancel or reduce unvested awards in the circumstances set out at the foot of this table. Furthermore, for up to one year following the vesting of the first instalment of deferred shares, the Committee may require the repayment of some or all of the award in the circumstances set out at the foot of this table. Deferred share awards may be made under an HMRC EMI plan where appropriate. Bonus awards are discretionary and can be removed or adjusted at the Committee's discretion. Dividend equivalents may be attached to the nil cost options over the deferral period.

Maximum potential and payment at threshold	Performance targets and metrics
While there is no maximum salary, increases will normally be in line with the typical level of salary increase awarded (in percentage of salary terms) to other employees in the Group. Salary increases above this level may be awarded in certain circumstances, such as, but not limited to: – where an executive director has been promoted or has had a change in scope or responsibility; – an individual's development or performance in role (e.g. to align a newly appointed executive director's salary with the market over time); – where there has been a change in market practice; or – where there has been a change in the size and/or complexity of the business. Such increases may be implemented over such time period as the Committee deems appropriate.	Not applicable.
Insurance premia are determined by the policy provider. There is no predetermined maximum but the totals are reviewed annually by the Remuneration Committee.	Not applicable.
Executive directors may receive a defined pension contribution up to 15% of base salary. Executive directors may be permitted to take a cash supplement instead of contributions to the pension plan at the same level.	Not applicable.
Participation limits are those set by the UK tax authorities from time to time.	Not subject to performance measures in line with HMRC practice.
The maximum bonus opportunity will not exceed 125% of base salary.	The objectives and performance metrics are decided annually by the Remuneration Committee taking into account the strategic needs of the business. Given the nature of the business, these objectives and metrics may change significantly each year. Deferred shares will only vest if the participant is still employed at the 1st anniversary of the award. There is no minimum bonus required if threshold performance is not met.

Directors' remuneration report

for the year ended 31 December 2016

Component and purpose	Operation
Long Term Incentive Plan (LTIP) To augment shareholder alignment by providing executive directors with longer term interests in shares whilst requiring challenging performance before LTIP awards vest.	At the discretion of the Remuneration Committee, annual grants of conditional nominal cost share options which vest after three years on the achievement of specified performance targets. Awards granted under the LTIP may include dividend equivalents earned between the grant and vesting date. The Committee has the right to reduce, cancel or impose further conditions on unvested or unexercised awards in the circumstances set out at the foot of this table. For up to two years following the payment of a LTIP award, the Committee may require the repayment of some or all of the award in the circumstances set out below. Awards are made under an HMRC EMI plan where appropriate.
Non-executive directors	
Non-executive directors' fees To compensate non-executive directors for their services to the Group.	Non-executive directors' fees are determined by the Group's Chairman at the time of appointment of a director. The Chairman's fees are set by the other non-executive directors. Non-executive directors fees are paid in cash in 12 equal monthly instalments through the Group's payroll system. Fees would normally be reviewed at the start of each 3 year period of appointment. However, increases in non-executive directors' fees may be made at other times and would normally be dependent on the director taking on additional responsibility, such as chairing a board committee. Any changes to non-executive director fees require approval form the Group's Chairman. Changes to the Chairman's fees require approval from other non-executive directors. Non-executive directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.

Notes to the policy table

Circumstances in which malus and/or clawback may apply:

— A material mis-statement of the Group's financial results

— An error in the information or assumptions on which the award was granted or vests including an error in assessing any applicable performance conditions

— A material failure of risk management by the Group

— Serious reputation damage to the Group

— Material misconduct on the part of the participant

Maximum potential and payment at threshold	Performance targets and metrics
The normal maximum award is 100% of base salary in respect of a financial year. Under the share plan rules the overall maximum opportunity that may be granted in respect of a financial year is 200% of base salary. The normal maximum award limit will only be exceeded in exceptional circumstances such as the recruitment on an executive director.	For recent awards, the performance condition has been share price growth. At the time of grant a threshold share price target is set for the 3rd anniversary. No options vest if this threshold share price target is not achieved. This has been chosen as the most direct way of aligning the executive directors' interests with those of shareholders. For the achievement of threshold growth performance, no more than 25% of the award will vest and 100% of the award will vest for maximum share price growth performance.
Not applicable.	None.

Performance targets and metrics

Performance targets for the annual bonus are set by the Remuneration Committee after taking into account the strategic needs of the business. A key component of the Group's strategy is to develop gene and cell therapy products from pre-clinical proof of concept through to the end of Phase I or Phase II clinical studies before partnering or out- licensing. Targets for a particular year are therefore likely to include specific product development targets depending on the stage of development of each opportunity. The annual objectives are also likely to include targets related to generating recurring revenues such as bioprocessing or development services to third parties. The Committee considers that the performance targets for the annual bonus are commercially sensitive and that it would be detrimental to disclose them in detail before the start of the financial year.

In recent years, the performance metric for the LTIP has been shareholder return over the three year vesting period. Since Oxford BioMedica is not yet profitable and does not pay dividends, the simplest measure for shareholder return is share price growth. When making a LTIP grant, the Remuneration Committee takes into account the share price at the date of grant and specifies a target range for the share price. If, on the third anniversary, the share price is below the lower end of the range, all LTIP awards will lapse without vesting. At the lower end of the range a specified percentage, currently 25%, of the awards will vest and at the top end of the range 100% of the awards will vest. The target share price range is disclosed when the awards are granted. The Remuneration Committee at its discretion may change the LTIP performance metrics for future grants to ensure that the most appropriate targets are set for the Group's situation at the time.

The Committee retains the ability to adjust or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the Share Option Scheme, LTIP and Deferred Bonus Plan.

Differences in remuneration policy for all employees

All employees receive a base salary and are entitled to participate in benefits including the Group's defined contribution pension scheme to which the Group contributes.

Executive directors, senior managers and certain other staff receive annual bonuses. The maximum bonus potentially receivable varies between the participating employees. 50% of the executive directors' bonuses and other members of the Senior Executive Team are delivered by deferred shares whereas all other staff receive 100% of their bonuses in cash.

Senior Executive Team members participate in the 2015 LTIP but not the 2015 Employee Share Option Scheme. All other employees are eligible to participate in the Employee Share Option Scheme.

Statement of consideration of employment conditions elsewhere in the Group

The Chief Executive Officer determines any salary increases and bonuses for all employees other than the executive directors. The Group participates in an annual benchmarking exercise across the UK biotech sector which covers the majority of staff and which informs the decision making process. The Chief Executive Officer discusses the overall increase in payroll cost and the total amount to be paid in bonuses with the Chair of the Remuneration Committee before implementing the salary increases and bonuses.

The Remuneration Committee considers the pay and employment conditions of all other employees when setting the policy for directors' remuneration. The Remuneration Committee has not consulted with other employees when preparing the policy for directors' remuneration.

Approach to recruitment remuneration

Should it become necessary to recruit a new executive director, the Committee would negotiate the remuneration package of the new director from the same elements described above in the policy table as are applied to existing directors. The Committee would determine the individual components and overall package in the light of prevailing market conditions, remuneration of other executive directors, the calibre of the new director and the previous package of the new director. The remuneration package of the new director will be subject to the principles and limits referred to below:

- Base salary will be set at a level appropriate to the role and the experience of the director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate
- Pension and benefits will be provided in line with the above policy
- The Committee will not offer non-performance related incentive payments (for example a "guaranteed sign-on bonus")
- Others elements may be included in the following circumstances:
  - An interim appointment being made to fill a director role on a short-term basis
  - If exceptional circumstances require that the Chairman or a non-executive director takes on an executive function on a short-term basis
  - If a director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis
  - If the director will be required to relocate in order to take up the position, it is the Group's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee
- The Committee may also alter the performance measures, performance period and vesting period of the annual bonus, Deferred Bonus Plan or LTIP, subject to the rules of the Deferred Bonus Plan and LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale is clearly explained in the Directors' remuneration report
- The maximum level of variable remuneration which may be granted (excluding "buyout" awards as referred to below) is 325% of salary

Any share awards referred to in this section will be granted as far as possible under the Group's existing share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an executive director.

Compensation for the forfeit of any award under arrangements with a previous employer would be considered on a case-by-case basis but would only be paid in exceptional circumstances. The Committee will generally seek to structure such "buyout" awards or payments on a like for like basis to the remuneration arrangements forfeited.

Any such payments or awards are limited to the expected value of the forfeited awards. Where considered appropriate, such special recruitment awards will be liable to forfeiture or "malus" and/or "clawback" on early departure.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees for new non-executive directors will be determined by reference to market rates for non-executive director fees for similar companies or groups.

Service contracts and policy on payment for loss of office

Executive directors' service contracts are subject to 12 months' notice from both the Company and from the director.

Directors may be required to work during the notice period or paid in lieu of notice if not required to work for the full notice period.

The details of service contracts and letters of appointment of those who served as directors during the year are:

Service contracts	Contract date	Unexpired term at 31 December 2016	Notice period
John Dawson	10 October 2008	NA	12 months
Peter Nolan	1 May 2002	NA	12 months
Tim Watts	9 February 2012	NA	12 months

Letters of appointment	Date of appointment	Unexpired term at 31 December 2016	Notice period
Lorenzo Tallarigo	1 February 2016	25 months	3 months
Martin Diggle	4 October 2015	21 months	3 months
Andrew Heath	1 January 2016	24 months	3 months
Stuart Henderson	1 June 2016	29 months	3 months

All directors are subject to election by shareholders at the first opportunity after their appointment and thereafter to re-election at intervals of not more than three years. At the 2017 Annual General Meeting Andrew Heath and Peter Nolan will retire from the Board and stand for re-election in accordance with Articles 33 and 38 of the Company's articles of association.

The principles on which the determination of payments for loss of office will be approached are set out below:

	Policy
Payment in lieu of notice	Contractual termination payments may not exceed the director's current salary and benefits for the notice period.
Annual Bonus	This will be at the discretion of the Committee on an individual basis and the decision as to whether or not to award a bonus in full or in part will be dependent on a number of factors, including the circumstances of the individual's departure and their contribution to the business during the bonus period in question. Any bonus amounts paid will typically be pro-rated for time in service during the bonus period and will, subject to performance, be paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances).

	Policy
Deferred Bonus Plan	The extent to which any unvested award will vest will be determined in accordance with the rules of the Deferred Bonus Plan. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill-health, injury, disability, the sale of his employer or any other reason, at the discretion of the Committee, the Committee shall determine whether the award will vest at cessation or at the normal vesting date. In either case, the extent of vesting will be determined by the Committee, taking into account, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the deferral period. Awards may then be exercised during such period as the Committee determines. Awards which have already vested at the date of cessation may be exercised for such period as the Committee determines.
LTIP	The extent to which any unvested award will vest will be determined in accordance with the rules of the LTIP. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill-health, injury, disability, the sale of his employer or any other reason at the discretion of the Committee, the Committee shall determine whether the award will vest at cessation or at the normal vesting date. In either case, the extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the performance period. Awards may then be exercised during such period as the Committee determines. Awards which have already vested at the date of cessation may be exercised for such period as the Committee determines.
Change of control	The extent to which unvested awards under the Deferred Bonus Plan and LTIP will vest will be determined in accordance with the rules of the relevant plan. Awards under the Deferred Bonus Plan will vest in full in the event of a takeover, merger or other relevant corporate event. Awards under the LTIP will vest early on a takeover, merger or other relevant corporate event. The Committee will determine the level of vesting taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of the relevant corporate event relative to the performance period. The Committee has discretion under the rules of the LTIP to vest awards on a different basis.
Other payments	Payments may be made either in the event of a loss of office or a change of control under the Sharesave Scheme, which is governed by its rules and the legislation relating to such tax qualifying plans. There is no discretionary treatment for leavers or on a change of control under this scheme. In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.

Existing contractual arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report:

— where the terms of the payment were agreed before the policy came into effect;

— where the terms of the payment were agreed at a time when the relevant individual was not a director of the Group and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Group; and

— to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, "payments" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Statement of consideration of shareholder views

The Committee takes into account views of shareholders with regard to directors' remuneration. Martin Diggle, a founder of Vulpes Life Sciences Fund ("Vulpes"), the Company's largest investor, and is able to communicate the views of Vulpes on this matter. The Chairman and Senior Independent Director also consult from time to time with the Company's other major investors.

By order of the Board

Tim Watts
Company Secretary

15 March 2017

Directors' report

for the year ended 31 December 2016

The directors present their Annual report and audited consolidated financial statements for the year ended 31 December 2016 as set out on pages 82 to 108. This report should be read in conjunction with the corporate governance report on pages 42 to 50.

Discussions regarding financial information contained in this Annual report may contain forward-looking statements with respect to certain of the plans, current goals and expectations relating to the future financial condition, business performance and results of the Group and Company. By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Group and Company. Readers are cautioned that, as a result, the actual future financial condition, business performance and results of the Group may differ materially from the plans, goals and expectations expressed or implied in such forward looking statements.

Strategic report

The Strategic report is on pages 8 to 31. The directors consider that the Annual report and accounts, taken as a whole, are fair, balanced and understandable. In reaching this conclusion, the Audit Committee initially discussed the requirements with the Group's auditors when discussing the strategy for the 2016 audit, and the full Board reviewed the contents of the report at its 8 March 2017 meeting. Since the Board met eight times for routine meetings in 2016 the directors consider that they are sufficiently well informed to be able to make this judgement.

Key financial performance indicators (KPIs)

Key financial performance indicators are outlined in the Chief Financial Officer's review on pages 22 to 27.

Corporate governance

The Group's statement on corporate governance is included in the corporate governance report on pages 42 to 50.

Risk management

The Group's exposure to risks is set out on pages 34 to 39 (principal risks and uncertainties) and on page 92 (Note 3: financial risk management).

Dividends

The directors do not recommend payment of a dividend (2015: £nil).

Directors

The current directors of the Company and their biographical details are given on pages 40 to 41. The contracts of employment of the executive directors are subject to twelve months'. The Directors' remuneration and their interests in the share capital of the Company at 31 December 2016 are disclosed in the Directors' remuneration report on pages 51 to 68.

Appointment and replacement of directors

Directors may be appointed by an ordinary resolution at any general meeting of shareholders, or may be appointed by the existing directors, provided that any director so appointed shall retire at the next following annual general meeting (AGM) and may offer himself for re-election. At each AGM any director who has served for three years, and one third of the other directors must retire, and may offer themselves for re-election. A director may be removed in the following ways: by an ordinary resolution at a general meeting; if he is prohibited by law from being a director; in the event of bankruptcy; if he is suffering from specified mental disorders; if he is absent without consent for more than six months; or by request in writing by all the other directors. Any director may appoint another director or another person approved by the other directors as an alternate director.

Directors' third party indemnity provision

The Group maintains a qualifying third party indemnity insurance policy to provide cover for legal action against its directors. This was in force throughout 2016 and at the date of approval of the financial statements.

Share capital

Structure of the Company's capital

The Company's share capital comprises a single class of 1p ordinary shares, each carrying one vote and all ranking equally with each other. Following the adoption of new articles of association in 2010, the authorised share capital of the Company is unlimited. At 31 December 2016 the Company had 3,088,047,310 shares in issue, all allotted and fully paid. There are no restrictions on the transfer of shares in the Company or on voting rights.
All shares are admitted to trading on the London Stock Exchange.

Rights to issue and buy back shares

Each year at the AGM the directors seek rights to allot shares. The authority, when granted lasts for 15 months or until the conclusion of the next AGM if sooner. At the last AGM held on 7 June 2016, authority was given to allot up 900,967,100 shares (that number being one third of total issued share capital of the Company at the time), subject to the normal pre-emption rights reserved to shareholders contained in the Companies Act 2006, and to allot up to a further 900,967,100 shares, solely in a rights issue. Authority was also given, subject to certain conditions, to waive pre-emption rights over up to 135,145,000 shares, being 5% of the shares then in issue. No rights have been granted to the directors to buy back shares.

Substantial shareholdings

At 15 February 2016, the latest practical date prior to approval of the Directors' report, the Company had been notified of the following shareholdings amounting to 3% or more of the ordinary share capital of the Company.

Shareholder	Number of ordinary shares	Percentage of issued share capital
Vulpes Investment Management	583,265,333	18.9%
M&G Investments	559,236,701	18.1%
Aviva Investors	285,914,405	9.3%
Joy Group	231,800,00	7.5%
Hargreaves Lansdown Asset Management	121,056,666	3.9%
Mr S Shah	102,400,000	3.3%
TD Direct Investing	96,379,648	3.1%

No other person has reported an interest in the ordinary shares of the Company required to be notified to the Company. No person holds shares carrying special rights with regard to control of the Company.

Employees

The Group communicates and consults regularly with employees throughout the year. Employees' involvement in the Group's performance is encouraged, with all employees eligible to participate in the share option scheme or the LTIP. Certain employees participate in discretionary bonus schemes.

The Group's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or ethnic origin. The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people.

Further details on employees, health and safety, environmental matters and corporate social responsibility are in the corporate responsibility statement on pages 28 to 31.

Employee share schemes

The Group has established an Employee Benefit Trust (EBT) to hold shares purchased in order to settle shares awarded to executive directors and other senior managers under the Deferred Bonus Plan. The EBT currently holds 7,161,253 shares of which 1,553,751 have vested. See Note 25 of the consolidated financial statements for further information.

Agreements that take effect, alter, or terminate because of a takeover bid or on change of control

There are no such agreements that the directors consider are material. There are no agreements providing for compensation for loss of office for directors or employees in the event of a takeover bid.

Going concern

The Group held £15.3 million of cash at the end of 2016 and £15.2 million at 28 February 2017. During 2016 the cash burn was significantly reduced as a result of improved cash flow from operations and reduced capital expenditure and the directors expect further progress in 2017. Taking this into account, in conjunction with currently known and probable cash flows, the directors consider that the Group has sufficient cash resources and cash inflows to continue its activities for not less than 12 months from the date of these financial statements and have therefore prepared the financial statements on a going concern basis.

Viability statement

Assessment of prospects

In accordance with provision C.2.2 of the UK Corporate Governance Code, the directors have assessed the prospects of the Group over the three years to December 2019. They believe three years to be appropriate due to the inherent significant uncertainties of forecasting beyond this time horizon given the nature of the business sector in which the Group operates. The assessment has been informed by the strategy adopted by the Board in 2016 and the evolution of the business over the last twelve months.

The Group's strategy is to exploit its LentiVector® platform to develop gene and cell therapy products in its own portfolio and to support the development of other companies' products. The Group is generating growing revenues and other operating income from licensing its platform technology, generating upfront receipts and royalties, and from fees for providing process development and bioprocessing services to other companies. Over the three years to December 2019 the directors believe that revenues from licensing its technology to third parties and from providing process development and bioprocessing services its partners will be sufficient to create a sustainable company

Assessment of viability

The main area of risk to the viability of the Group within the three-year period to December 2019 is that the Group fails to generate enough revenue from the process development and bioprocessing services it provides to third parties and, in particular, that the requirements from Novartis, the Group's current major customer, fall substantially short of current expectations. The Group is seeking to mitigate this risk by continuing to develop its technology so as to retain a leadership position and by seeking additional customers so as to diversify its exposure to Novartis.

However the directors anticipate that the Group has reasonable prospects for attracting new customers and generating additional revenues. The Group's financial forecasts developed reflect these assumptions and therefore the Directors have concluded that there is a reasonable expectation, although not certainty, that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to December 2019. If additional revenues were to fall naturally below the director's expectations, the Group might need to secure alternative sources of financing to continue to fund its operations.

Amendment of the Company's articles of association

Amendment of the Company's articles may be made by special resolution at a general meeting of shareholders.

Compliance with Listing Rule 9.8.4R

The directors have reviewed the requirements of LR 9.8.4R. The majority of these do not apply to the Group but the following are applicable.

Listing Rule	Information required	Response
LR 9.8.4 (5) and (6)	Arrangement under which a director has waived current or future emoluments.	Martin Diggle has elected to receive no fees for his services as director (page 54).
LR 9.8.4 (7) and (8)	Allotment of shares other than to existing shareholders in proportion to holdings.	Allotment of shares on exercise of options by employees under approved share schemes (Note 23, page 102).

Statement of directors' responsibilities in respect of the financial statement

The directors are responsible for preparing the Annual report and accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

— select suitable accounting policies and then apply them consistently;

— state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;

— make judgements and accounting estimates that are reasonable and prudent; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the group and parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in The Board of Directors confirm that, to the best of their knowledge:

— the parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the company;

— the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

— the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' report is approved:

— so far as the director is aware, there is no relevant audit information of which the Group and parent Company's auditors are unaware; and

— they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and parent Company's auditors are aware of that information.

Each of the directors, whose names and functions are listed on pages 40 to 41 confirm that, to the best of their knowledge:

— the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

— the Directors' report contained in this section includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418, Directors' reports shall include a statement, in the case of each director in office at the date the Directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Statement as to disclosure of information to auditors

In accordance with s418 of the Companies Act 2006, so far as each director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

Greenhouse gas emissions report

Details on greenhouse gas emissions are set out in the corporate social responsibility section on page 30.

Annual General Meeting

The Annual general Meeting will be held at 11:00 a.m. on Tuesday 23 May 2017 the London offices of Covington & Burling LLP.

By order of the Board

Tim Watts
Company Secretary

15 March 2017

Tim Watts was appointed a director and Chief Financial Officer in February 2012

Independent auditors' report

to the members of Oxford BioMedica plc

Report on the financial statements

Our opinion

In our opinion:

— Oxford BioMedica plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's loss and the group's and the company's cash flows for the year then ended;

— the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;

— the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual report and accounts, comprise:

— the Balance sheets as at 31 December 2016;

— the Consolidated statement of comprehensive income for the year then ended;

— the Statements of cash flows for the year then ended;

— the Statements of changes in equity attributable to owners of the parent for the year then ended; and

— the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual report and accounts, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

Our audit approach

Overview

— Overall group materiality: £700,000 which represents 5% of the 4 year average of loss before tax

— Our work, which was conducted at the Group's head office in Oxford, included an audit of the complete financial information of the trading subsidiary, as this entity accounted for all of the Group's revenue and 90% of its assets

— We also conducted a site visit of the Group's manufacturing facilities, primarily to obtain evidence over the year-end inventory balance

— Going concern

— Contract accounting and revenue recognition

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Going Concern Refer to Note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates. The directors have concluded that the Group has sufficient cash resources and cash inflows to continue its activities for not less than twelve months from the date of these financial statements and have therefore prepared the financial statements on a going concern basis. The Group had cash and cash equivalents of £15.3m at 31 December 2016 but consumed cash of £11.5m in the year, prior to financing activities, and currently depends materially on one customer relationship for the majority of its revenue and cash inflows. As a result there are a number of judgements inherent in assessing the Group's cash flows. Management prepared a set of cash flow forecasts from Board approved plans as well as a downside case including potential mitigating actions and alternative cash inflows. The key judgements within the cash flow projections that we particularly focused on are: — Cash inflows and outflows expected from the Novartis contract — Cash flows expected from other sources, for example development grants, research and development tax credits and other agreements currently under negotiation — The continued availability of funding — Sensitivities, and the status of alternative potential sources of revenue and cash, and mitigating cost actions	We assessed the reasonableness and support for the judgements underpinning management's forecast, as well as the sensitivity of the projections to these judgements. We reviewed correspondence with Novartis to confirm management's assessment of the Group's relationship. We evaluated the extent to which forecast revenues were based upon work orders for bioprocessing activity or other contractual commitments. We agreed these to supporting documentation, as well as evaluating by reference to past experience the likelihood of the Group securing revenues based upon achieving milestones. We considered the reasonableness of the assumptions within management's downside case including proposed cost reduction actions and alternative potential sources of revenue and cash. We agreed these to supporting documentation, where relevant to understand the status of these arrangements. We also performed our own sensitivities to these cash flow forecasts. We reviewed the Group's finance agreements and considered the status of any covenant requirements. Our conclusion on management's use of the going concern basis of accounting is included in the going concern section of the report below.
Contract accounting and revenue recognition Refer to Note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates. A significant proportion of the revenue generated in the year arose from bioprocessing activities under the Group's collaboration agreements with Novartis. Further amounts arose from process development activities under these arrangements, including certain more judgemental elements dependent upon development activity, milestones or other success criteria. Other revenues related mainly to upfront intellectual property ("IP") licence revenue from new multi-element collaboration agreements entered into during the year. Our consideration of revenue recognition focuses on the following key judgements made by management: — The appropriateness of revenue recognised where percentage of completion accounting has been applied on unfinished batches — The appropriateness of process development revenue recognised, including assessment of percentage of completion accounting for development activity — The determination that the contractual elements of new collaboration agreements are separable, requiring individual accounting for the associated revenue — The determination of the fair value of each contractual element — The recoverability of invoiced receivables	For bioprocessing revenue we obtained supporting documentation for the shipment, sale and cash receipt related to revenue recognised. For unfinished manufacturing batches we held discussions with employees outside of the finance function and examined related documentation to understand the stage of completion of such batches at the balance sheet date. For other elements of the Novartis revenue we have obtained supporting documentation to evidence the arrangement and status of work performed, including the subsequent confirmation of acceptance or completion by the customer. For upfront IP license revenue we obtained and evaluated management's assessment that the new collaboration agreements contain separable contractual elements, and formed our own independent assessment based on our evaluation of the contractual terms. We also considered the allocation of fair value between the various elements of these contracts by reference to other agreements. We concluded that management's revenue recognition was supported and consistent with the Group's policy and existing practice.

Independent auditors' report

to the members of Oxford BioMedica plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group includes the listed parent Company, the main trading entity and three inactive entities. The Group's accounting process is structured around a single finance team in Oxford, maintaining their own accounting records and controls. All financial reporting, including the Group consolidation and financial statement disclosures is performed by the same finance team. Both the head office and the manufacturing facilities are based in Oxford.

The main trading entity is the focus of our audit as this comprises all of the revenues of the Group and 90% of its assets. All material items in this entity, and therefore the financial statements, are audited by a single engagement team. In addition to the audit work conducted at the head office, the engagement team also visited the manufacturing facilities, primarily to provide evidence over the year-end inventory balance.

The overall approach to scoping the Group audit engagement is further influenced by specific factors unique to the FY16 activities of the business, specifically the signing of amended loan agreement with Oberland Capital, system transition and significant capital expenditure occurring during the year.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£700,000 (2015: £645,000).
How we determined it	5% of 4 year average of loss before tax.
Rationale for benchmark applied	Profit before tax is the metric that, we believe, is most commonly used by the shareholders as a body in assessing the Group's performance. Consistent with the prior year, we use an average of the loss over the last 4 years as the results of the Group are subject to fluctuation arising from the contractual nature of the business and, in particular, upfront payments, which mean that results from one year may not be a fair representation of the activities of the business.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £35,000 (2015: £32,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 71, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material mis-statements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion: — information in the Annual report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
— the statement given by the directors on page 69, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company acquired in the course of performing our audit.	We have no exceptions to report.
— the section of the Annual report on page 48, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
— the directors' confirmation on page 34 of the Annual report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
— the disclosures in the Annual report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
— the directors' explanation on page 71 of the Annual report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

Independent auditors' report

to the members of Oxford BioMedica plc

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

— we have not received all the information and explanations we require for our audit; or

— adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

— the company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

— whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;

— the reasonableness of significant accounting estimates made by the directors; and

— the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

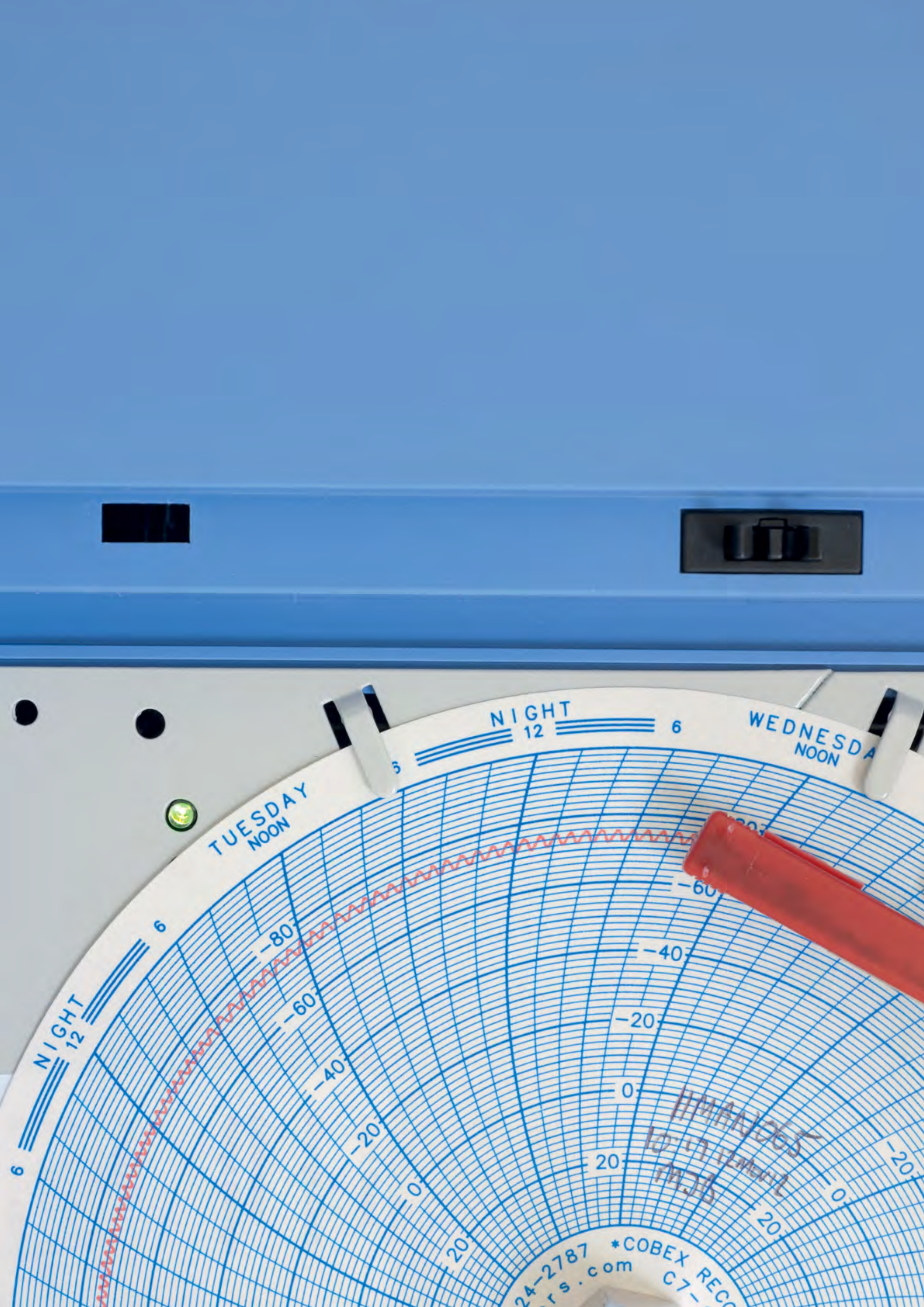
In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

15 March 2017

The maintenance and integrity of the Oxford BioMedica plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

for the year ended 31 December 2016

Continuing operations	Notes	2016 £'000	2015 £'000
Revenue	4	**27,776**	15,909
Cost of sales		**(11,835)**	(5,839)
Gross profit		**15,941**	10,070
Research, development and bioprocessing costs		**(24,299)**	(20,274)
Administrative expenses		**(5,957)**	(6,741)
Other operating income	4	**3,002**	2,862
Operating loss	4	**(11,313)**	(14,083)
Finance income	6	**34**	26
Finance costs	6	**(9,028)**	(2,925)
Loss before tax		**(20,307)**	(16,982)
Taxation	8	**3,666**	3,963
Loss and total comprehensive expense for the year	27	**(16,641)**	(13,019)
Basic loss and diluted loss per ordinary share	9	**(0.60p)**	(0.51p)

There were no other comprehensive income or losses.

Balance sheets

as at 31 December 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Assets					
Non-current assets					
Intangible assets	11	**1,330**	1,743	**–**	–
Property, plant and equipment	12	**27,514**	24,396	**–**	–
Investments	13	**657**	–	**65,808**	54,962
		29,501	26,139	**65,808**	54,962
Current assets					
Inventories	14	**2,202**	2,706	**–**	–
Trade and other receivables	15	**6,904**	10,930	**3**	11
Current tax assets	8	**3,000**	2,721	**–**	–
Cash and cash equivalents	16	**15,335**	9,355	**5,529**	1
		27,441	25,712	**5,532**	12
Current liabilities					
Trade and other payables	17	**6,003**	9,286	**176**	26
Deferred income	18	**3,313**	3,045	**–**	–
Provisions	20	**–**	838	**–**	–
		9,316	13,169	**176**	26
Net current assets / (liabilities)		**18,125**	12,543	**5,356**	(14)
Non-current liabilities					
Loans	19	**34,389**	27,255	**–**	–
Provisions	20	**622**	533	**–**	–
		35,011	27,788	**–**	–
Net assets		**12,615**	10,894	**71,164**	54,948
Equity attributable to owners of the parent					
Ordinary shares	23	**30,879**	25,741	**30,879**	25,741
Share premium account	24	**154,036**	141,677	**154,036**	141,677
Merger reserve	28	**2,291**	2,291	**1,580**	1,580
Treasury reserve	28	**(102)**	(102)	**–**	–
Other reserves	28	**–**	–	**6,052**	5,552
Accumulated losses	27	**(174,489)**	(158,713)	**(121,383)**	(119,602)
Total equity		**12,615**	10,894	**71,164**	54,948

The Company's registered number is 03252665.

The financial statements on pages 82 to 108 were approved by the Board of Directors on 15 March 2017 and were signed on its behalf by:

John Dawson
Chief Executive Officer

Statements of cash flows

for the year ended 31 December 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash flows from operating activities					
Cash used in operations	29	**(5,929)**	(14,866)	**(1,623)**	(453)
Interest paid		**(3,258)**	(1,494)	**–**	–
Tax credit received		**4,131**	3,247	**–**	–
Overseas tax paid		**(50)**	(5)	**–**	–
Net cash used in operating activities		**(5,106)**	(13,118)	**(1,623)**	(453)
Cash flows from investing activities					
Loan to subsidiary		**–**	–	**(10,346)**	(981)
Purchases of property, plant and equipment	12	**(6,458)**	(16,716)	**–**	–
Interest received		**47**	38	**–**	–
Net cash used in investing activities		**(6,411)**	(16,678)	**(10,346)**	(981)
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	23, 24	**19,622**	144	**19,622**	144
Costs of share issues	24	**(2,125)**	–	**(2,125)**	–
Loans received	19	**–**	27,812	**–**	–
Loans repaid		**–**	(3,000)	**–**	–
Net cash generated from financing activities		**17,497**	24,956	**17,497**	144
Net increase/(decrease) in cash and cash equivalents		**5,980**	(4,840)	**5,528**	(1,290)
Cash and cash equivalents at 1 January		**9,355**	14,195	**1**	1,291
Cash and cash equivalents at 31 December	16	**15,335**	9,355	**5,529**	1

Statements of changes in equity attributable to owners of the parent

for the year ended 31 December 2016

Group	Notes	Ordinary shares £'000	Share premium account £'000	Merger reserve £'000	Treasury reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2015		25,659	141,615	2,291	(226)	(682)	(145,618)	23,039
Year ended 31 December 2015:								
Loss for the year		–	–	–	–	–	(13,019)	(13,019)
Total comprehensive expense for the year		–	–	–	–	–	(13,019)	(13,019)
Transactions with owners:								
Share options								
Proceeds from shares issued	23, 24	82	62	–	–	–	–	144
Value of employee services	27	–	–	–	–	–	730	730
Vesting of deferred share award	27, 28	–	–	–	124	–	(124)	–
Liquidation of BioMedica inc.	28	–	–	–	–	682	(682)	–
At 31 December 2015		**25,741**	**141,677**	**2,291**	**(102)**	**–**	**(158,713)**	**10,894**
Year ended 31 December 2016:								
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(16,641)**	**(16,641)**
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**–**	**(16,641)**	**(16,641)**
Transactions with owners:								
Share options								
Proceeds from shares issued	23, 24	**20**	**39**	**–**	**–**	**–**	**–**	**59**
Value of employee services	27	**–**	**–**	**–**	**–**	**–**	**865**	**865**
Issue of shares excluding options	23, 24	**5,118**	**14,445**	**–**	**–**	**–**	**–**	**19,563**
Cost of share issues	24	**–**	**(2,125)**	**–**	**–**	**–**	**–**	**(2,125)**
At 31 December 2016		**30,879**	**154,036**	**2,291**	**(102)**	**–**	**(174,489)**	**12,615**

Company	Notes	Ordinary shares £'000	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2015		25,659	141,615	1,580	5,213	(119,164)	54,903
Year ended 31 December 2015:							
Loss for the year		–	–	–	–	(438)	(438)
Total comprehensive expense for the year	10	–	–	–	–	(438)	(438)
Transactions with owners:							
Share options							
Proceeds from shares issued	23, 24	82	62	–	–	–	144
Credit in relation to employee share schemes	26	–	–	–	339	–	339
At 31 December 2015		**25,741**	**141,677**	**1,580**	**5,552**	**(119,602)**	**54,948**
Year ended 31 December 2016:							
Loss for the year		**–**	**–**	**–**	**–**	**(1,781)**	**(1,781)**
Total comprehensive expense for the year	10	**–**	**–**	**–**	**–**	**(1,781)**	**(1,781)**
Share options							
Proceeds from shares issued	23, 24	**20**	**39**	**–**	**–**	**–**	**59**
Credit in relation to employee share schemes	26	**–**	**–**	**–**	**500**	**–**	**500**
Issue of shares excluding options	23, 24	**5,118**	**14,445**	**–**	**–**	**–**	**19,563**
Cost of share issues	24	**–**	**(2,125)**	**–**	**–**	**–**	**(2,125)**
At 31 December 2016		**30,879**	**154,036**	**1,580**	**6,052**	**(121,383)**	**71,164**

1, Accounting policies

Oxford BioMedica plc (the Company) is a company incorporated and domiciled in the United Kingdom and listed on the London Stock Exchange. The consolidated financial statements for the year ended 31 December 2016 comprise the results of the Company and its subsidiary undertakings (together referred to as the Group). The Company's principal subsidiary is Oxford BioMedica (UK) Limited.

The Group is a gene and cell therapy research and development business which is also building a revenue-generating business providing bioprocessing and process development services to third parties. The Group currently has no marketed pharmaceutical products.

Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

The financial statements have been prepared in accordance with IFRIC interpretations, as applicable to companies using the International Financial Reporting Standards ('IFRS') as adopted by the European Union and with the Companies Act 2006 under the historic cost convention.

As more fully explained in the Directors' report on pages 69 to 73 and below, the going concern basis has been adopted in preparing the financial statements.

A summary of the more important Group accounting policies are set out in Note 1 below.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree or judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Going concern

The Group held £15.3 million of cash at the end of 2016 and £15.2 million at 28 February 2017. During 2016 the cash burn was significantly reduced as a result of improved cash flow from operations and reduced capital expenditure and the directors expect further progress in 2017. Taking this into account, in conjunction with currently known and probable cash flows, the directors consider that the Group has sufficient cash resources and cash inflows to continue its activities for not less than twelve months from the date of these financial statements and have therefore prepared the financial statements on a going concern basis.

Accounting developments

The new standards, new interpretations and amendments to standards and interpretations listed below have been, issued but are not effective for the financial year beginning 1 January 2016 and have not been adopted early.

— IFRS 15, 'Revenue from contracts with customers' The Group is required to implement IFRS 15 from 1 January 2018. The Group's preliminary assessment of the impact of IFRS 15 is that it does not currently expect the new standard to have a significant effect on its current sources of revenue. The Group is currently assessing the new standard and does not expect to be able to quantify the impact of any potential changes until later in 2017

— Amendment to IFRS 15, 'Revenue from contracts with customers' (not yet endorsed by the EU)

— IFRS 16, 'Leases' (not yet endorsed by the EU)

— Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative (not yet endorsed by the EU)

The following standards are not expected to have a significant impact on the Group:

— Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses

— Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (not yet endorsed by the EU)

— IFRS 9, 'Financial instruments'

— Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' (not yet endorsed by the EU)

— Amendments to IAS 40, 'Investment property' relating to transfer of investment property (endorsed by the EU)

— Annual improvements 2014 – 2016 (not yet endorsed by the EU)

— IFRIC 22, 'Foreign currency transactions and advance consideration' (not yet endorsed by the EU)

Basis of consolidation

The consolidated financial statements comprise the Company and its subsidiary undertakings for the year to 31 December each year. Subsidiaries are entities that are directly or indirectly controlled by the Group. Subsidiaries are consolidated from the date at which control is transferred to the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The Group does not currently have any associates.

All intragroup transactions and balances are eliminated on consolidation.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Any excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those of the Group.

The Group and Company have elected not to apply IFRS 3 'Business combinations' retrospectively to business combinations which took place prior to 1 January 2004, namely the acquisition in 1996 of 100% of the issued share capital of Oxford BioMedica (UK) Limited that has been accounted for by the merger accounting method.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the transaction date. Assets and liabilities in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. Differences arising due to exchange rate fluctuations are taken to the statement of comprehensive income in the period in which they arise.

Revenue

Revenue comprises income derived from bioprocessing of clinical product for partners, fees charged for providing development services to partners, product and technology licence transactions, and funded research and development programmes.

Bioprocessing of clinical product for partners is recognised under IAS18, Revenue, with revenues recognised on a percentage of completion basis dependent on the stage of completion of the contract. The gross amount due from customers on all partnerships in progress for which costs incurred plus recognised profits exceed progress billings is presented as an asset separately on the balance sheet. Consideration received in excess of the stage of completion will be deferred until such time as it is appropriate to recognise the revenue.

Revenues for providing process development activities to partners are recognised during the period in which the service is rendered on a percentage of completion basis.

Incentive payments achievable on bioprocessing or process development activities are recognised dependent on the specific conditions stipulated in the agreement. Payments related to the achievement of specific deliverables are recognised once those deliverables are met, whilst payments related to the provision of support are recognised on a percentage of completion basis, but taking into account the likelihood of achievement of the deliverable.

Product and technology licence transactions typically have an initial upfront non-refundable payment on execution of the licence, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Where the initial amount received is non-refundable and there are no ongoing commitments from the Group and the licence has no fixed end date, the Group recognises the amount received up front as a payment in consideration of the granting of the licence on execution of the contract. Amounts receivable in respect of milestone payments are recognised as revenue when the specific conditions stipulated in the licence agreement have been met. Payments linked to "success" such as regulatory filing or approval, or achievement of specified sales volumes, are recognised in full when the relevant event has occurred. Otherwise, amounts receivable are recognised in the period in which related costs are incurred, or over the estimated period to completion of the relevant phase of development or associated clinical trials.

Research and development funding is recognised as revenue over a period that corresponds with the performance of the funded research and development activities.

Non-cash revenues are recognised at fair value through profit and loss.

Cost of sales

Cost of sales comprises the cost of bioprocessing clinical product for partners and royalties arising on partners' licenses.

The cost of bioprocessing clinical product for partners' includes the raw materials, labour costs, overheads and other directly attributable costs. Costs are recognised on a percentage of completion basis dependent on the stage of completion of the contract. Costs incurred in excess of the stage of completion are recognised as work in progress until such time as it is appropriate to recognise the cost.

The Group's products and technologies include technology elements that are licensed from third parties. Royalties arising from such partners' licenses are treated as cost of sales. Where royalties due have not been paid they are included in accruals. Where revenue is spread over a number of accounting periods, the royalty attributable to the deferred revenue is included in prepayments.

Research, development and bioprocessing

Research, development and bioprocessing expenditure is charged to the statement of comprehensive income in the period in which it is incurred.

Expenditure incurred on development projects is recognised as an intangible asset when it is probable that the project will generate future economic benefit, considering factors including its commercial and technological feasibility, status of regulatory approval, and the ability to measure costs reliably. Development expenditure which has been capitalised and has a finite useful life is amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit. No such costs have been capitalised to date. Other development expenditures are recognised as an expense when incurred.

Employee benefit costs

Employee benefit costs, notably holiday pay and contributions to the Group's defined contribution pension plan, are charged to the statement of comprehensive income on an accruals basis. The assets of the pension scheme are held separately from those of the Group in independently administered funds. The Group does not offer any other post-retirement benefits.

Share based payments

The Group's Employee share option schemes, Long Term Incentive Plans and Deferred Bonus Plans allow Group employees to acquire shares of the Company subject to certain criteria. The fair value of options granted is recognised as an expense of employment in the statement of comprehensive income with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted under the share option schemes is measured using the Black-Scholes model. The fair value of options granted under the LTIP schemes, which includes market condition performance criteria, is measured using a Monte Carlo model taking into account the performance conditions under which the options were granted.

At each financial year end, the Group revises its estimate of the number of options that are expected to become exercisable based on forfeiture such that at the end of the vesting period the cumulative charge reflects the actual options that have vested, with no charge for those options which were forfeit prior to vesting. When share options are exercised the proceeds received are credited to equity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. No leases have been classified as finance leases. All other leases are classified as operating leases. Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Grants

Income from government and other grants is recognised over the period necessary to match them with the related costs which they are intended to compensate. Grant income is included as other operating income within the statement of comprehensive income, and the related costs are included within research, development and bioprocessing costs, and administrative expenses. Where grant income received exceeds grant income recognised, it is included within deferred income on the balance sheet, whilst where grant income recognised exceeds grant income received, it is included within accrued income on the balance sheet.

Partially funded research and development

Where research & development programmes are partially funded by external parties, and Oxford BioMedica retains certain rights to any intellectual property and patents created by these programmes, this income is included as other operating income within the statement of comprehensive income and the related costs are included within research, development and bioprocessing costs.

Finance income and costs

Finance income and costs comprise interest income and interest payable during the year, calculated using the effective interest rate method. It also includes the revaluation of external loans denominated in a foreign currency.

Taxation

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The credit is paid in arrears once tax returns have been filed and agreed. The tax credit earned in the period, based on an assessment of likely receipt, is recognised in the statement of comprehensive income with the corresponding asset included within current assets in the balance sheet until such time as it is received.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred tax is calculated in respect of all temporary differences identified at the balance sheet date. Temporary differences are differences between the carrying amount of the Group's assets and liabilities and their tax base. Deferred tax liabilities may be offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequence expected to fall from the manner in which the asset or liability is recovered or settled.

Intangible assets

Initial recognition

Intellectual property and in-process research and development acquired through business combinations are recognised as intangible assets at fair value. Other acquired intangible assets are initially recognised at cost.

Amortisation

Where the intangible asset has a finite life amortisation is charged on a straight line basis over the remaining useful economic life from the time they become available for use. Where the useful life of the intangible asset cannot be determined, the asset is carried at cost but tested annually for impairment. Intangible assets are amortised over the length of the patent life; current lives range from five to 19 years.

Impairment

The carrying value of non-financial assets is reviewed annually for impairment or earlier if an indication of impairment occurs and provision made where appropriate. Charges or credits for impairment are passed through the statement of comprehensive income.

For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash-generating units. Impairment losses are recognised for the amount by which each asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset is no longer being developed by the Group fair value less costs of disposal is used as the recoverable amount. Value in use is calculated using estimated discounted future cash flows. Key assumptions in the discounted cash flow calculations are whether:

- The product is developed by a collaborative partner who funds all future development costs and markets the product
- The group receives an initial licence fee, milestone payments and royalties on sales
- The cash flow projections include estimates for selling price, royalty rates, population growth, disease incidence and market penetration
- The resulting cash receipts are discounted at an appropriate discount rate
- The cash flow projections are a long-term view, based on the expected patent life. Due to the length of the development cycle for innovative medicines, this period is significantly longer than five years

The key assumptions are management estimates, based where possible on available information for similar products. Due to the novelty and early stage of development of the group's products, it is not possible to benchmark these assumptions against past experience.

Impairment and amortisation charges are included within research, development and bioprocessing costs in the statement of comprehensive income.

Intellectual property rights comprise third party patent rights that have been purchased by the Group. No in-house research and development or patent costs are included in intangible assets.

Property, plant and equipment

Property, plant and equipment are carried at cost, together with any incidental expenses of acquisition, less depreciation. Cost includes the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of property, plant and equipment less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. Depreciation of an asset begins when it is available for use. The principal annual rates used for this purpose are:

Freehold property	10%
Leasehold improvements	10% (or the remaining lease term if shorter)
Office equipment and computers	20 – 33%
Bioprocessing and laboratory equipment	10 – 20%

The assets' residual values and useful lives are reviewed annually.

The bioprocessing plant is reviewed annually for impairment triggers and, where necessary, a full impairment review is performed.

Notes to the consolidated financial statements

for the year ended 31 December 2016

Financial assets: investments in subsidiaries

Investments are carried at cost less any provision made for impairment. Options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRS2, the Company treats the value of these awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment.

Investments in subsidiary undertakings, including shares and loans, are carried at cost less any impairment provision. Such investments are subject to review, and any impairment is charged to the statement of comprehensive income.

At each year end the directors review the carrying value of the Company's investment in subsidiaries. Where there is a material and sustained shortfall in the market capitalisation, or a significant and sustained change in the business resulting in a decrease in market capitalisation, the directors consider this to be a trigger of an impairment review as set out in IAS 36, and the carrying value of the Company's investments in subsidiaries is adjusted. The directors consider that reference to the market capitalisation of the Group is an appropriate external measure of the value of the Company's subsidiaries for this purpose.

Financial assets: available for sale investments

Investments

Other investments held by the Group are classified as at fair value through profit and loss.

Bank deposits

Bank deposits with original maturities between three months and twelve months are included in current assets and are classified as available for sale financial assets. After initial recognition, available for sale investments are measured at their fair value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighed average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits repayable on demand, and other short term highly liquid investments with original maturities of three months or less.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Deferred income

Deferred income is the excess of cash received under license transactions, grants, funded research and development, revenue for activities provided to partners, and commercial bioprocessing of clinical product for partners, over the amounts recognised as revenue.

Financial Liability: loans

On initial recognition, external loans are measured at fair value plus directly attributable transaction costs. On subsequent measurement, external loans are measured at amortised cost under the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period. The calculation of the effective interest rate takes into account the estimated cash flows which consider all the contractual terms of the financial instrument, including any embedded derivatives which are not subject to separation.

Provisions

Provisions for dilapidation costs and other potential liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to the passage of time is recognised as interest expense.

Share capital

Ordinary shares are classified as equity. Costs of share issues are charged to the share premium account.

Merger reserve

A merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under s612 and s613 of the Companies Act 2006.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group.

2, Critical accounting judgements and estimates

In applying the Group's accounting policies, management is required to make judgements and assumptions concerning the future in a number of areas. Actual results may be different from those estimated using these judgements and assumptions. The key sources of estimation uncertainty and critical accounting judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

In October 2014, the Group entered into a series of contractual arrangements with Novartis, including a licence over the Group's existing LentiVector® platform, a production and clinical supply agreement and an agreement covering process development.

Under these arrangements, the Group received $9.7 million (£6.1 million) in upfront payments of which $7.7 million (£4.8 million) was received in respect of a non-exclusive worldwide development and commercialisation licence in oncology under the Group's existing LentiVector® gene delivery platform intellectual property.

Management judged that this amount should be recognised as a separate deliverable in 2014 discrete from amounts to be recognised over the period of the three year production contract. This judgement was based on management being satisfied that the customer was able and intended to realise value from this licence independently from any further intellectual property generated in the collaboration and that its fair value is sufficiently reliable. In reaching this judgement management had regard to several considerations including:

— The existing intellectual property covered by the licence is sufficient to allow the vector for CTL019 to be bioprocessed for commercial use, and any intellectual property that might arise from the process development under the contract is not a pre-requisite for its commercial manufacture

— The licence allows Novartis to use the existing intellectual property for other oncology products apart from CTL019

— The other elements of the arrangements have an appropriate price and fair value (the residual elements)

— The $7.7 million fee is comparable with similar transactions with third parties that the Group has previously contracted, taking into account the stage of development and the market potential of the product

This judgement reflects both the separability of the licence for the existing intellectual property and the assessment of the fair values of each of the components of the Novartis agreements.

The remaining $2.0 million of the $9.7 million upfront payments are dependent on certain events and activities over the three-year period. As at 31 December 2016, $1.2 million had been recognised as revenue (2015: $0.4 million).

Under the October 2014 contract, management judged that $1.2 million of a $2 million incentive payment for provision of source documentation to support a proposed BLA submission by Novartis should be recognised at year end on the basis that, based on the level of work performed, it is certain that the economic benefits of the transaction will flow to the entity, and the revenue and related costs can be measured reliably.

In 2016 the Group received £1.4 million in one-off payments related to IP licences. Since these payments are non-refundable and there are no ongoing commitments from the Group, the amounts received have been recognised as revenue in the year. £657,000 of these items was received in the form of shares in a partner company. These have been recognised at fair value.

Intangible asset impairment

The Group has intangible assets arising from purchases of intellectual property rights and in-process R&D. Amortisation is charged over the assets' patent life on a straight line basis from the date that the asset becomes available for use. When there is an indicator of a significant and permanent reduction in the value of intangible assets, an impairment review is carried out. The impairment analysis is principally based on estimated discounted future cash flows. Actual outcomes could vary significantly from such estimates of discounted future cash flows due to the sensitivity of the assessment to the assumptions used. The determination of the assumptions is subjective and requires the exercise of considerable judgement. Any changes in key assumptions about the Group's business and prospects or changes in market conditions affecting the Group or its development partners could materially affect whether an impairment exists. This risk is now concentrated on purchased patent rights which have been sublicensed to collaborative partners. At 31 December 2016 the book value of intangible assets was £1.3 million of which £1.0 million related to PrimeBoost technology.

Going concern

Management and the directors have had to make estimates and important judgements when assessing the going concern status of the Group. The conclusions of these estimates and judgements are reported in several places in this Annual report including the Directors Report (page 69) and Note 1 to the financial statements (page 86).

3, Financial risk management

Financial risk factors

The Group has a simple corporate structure with the Company and its only operating subsidiary both being UK domiciled. Monitoring of financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually. The Group's agreed policies are implemented by the Chief Financial Officer, who submits reports at each board meeting. The Group does not use financial derivatives, and it is the Group's policy not to undertake any trading in financial instruments.

(a) Foreign exchange risk

In 2016 the Group's revenues were mostly receivable in Sterling and US Dollars, and certain of its expenditures were payable in Euros and US Dollars. The majority of operating costs are denominated in Sterling but most of the finance costs and any related future repayment of capital will be in Dollars (please refer to next paragraph with regards to the Oberland loan). A 10% difference in the £/$ exchange rate would have had an impact of approximately £98,000 (2015: £nil) on net costs over the year, and would lead to an unrealised foreign exchange gain/loss of £3.3 million on the outstanding loan balance. The Group also has exposure to the £/€ exchange rate due to the need to fund expenditure denominated in Euros. Had the pound been 10% weaker in relation to the Euro, the increased cost in 2016 would have been approximately £57,000 (2015: £91,000). The Group's policy is to hold the majority of its funds in Sterling. No other hedging of foreign currency cash flows is undertaken.

(b) Interest rate risk

On 1 May 2015, an agreement was entered into with Oberland Capital for a $50 million loan facility of which $25 million (£16.3 million) was drawn down immediately, and a further $15 million (£9.8 million) was drawn down in September 2015.

The Oberland Facility is a loan facility agreement provided by Oberland Capital Management LLC, to provide funds to invest in the Group's capacity expansion, and for pipeline advancements and product acquisitions. Further details about the facility are given in Note 19.

The Group's policy is to maximise interest receivable on deposits, subject to maintaining access to sufficient liquid funds to meet day to day operational requirements and preserving the security of invested funds. With the current low level of bank interest rates, interest receivable on bank deposits in 2016 was just £34,000 (2015: £26,000).

If interest rates had been 1% higher in 2016 the impact on cash interest paid would have been £295,000 (2015: £140,000).

Interest payable as disclosed in the consolidated statement of comprehensive income would not be affected by a 1% increase in interest rates as the charge to income is determined by the required 15% rate of return to Oberland.

(c) Credit risks

Cash balances are mainly held on short and medium term deposits with financial institutions with a credit rating of at least A, in line with the Group's policy to minimise the risk of loss.

Trade debtors are monitored to minimise the risk of loss (note 15).

Derivative financial instruments and hedging

There were no derivatives at 31 December 2016 or 31 December 2015, and hedge accounting has not been used.

Fair value estimates

The fair value of short term deposits with a maturity of one year or less is assumed to be the book value.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to minimise the cost of capital.

4, Segmental analysis

Segmental reporting

The chief operating decision-maker has been identified as the Senior Executive Team (SET), comprising the executive directors, Chief Scientific Officer and Chief Technical Officer. The SET monitors the performance of the Group in two business segments:

(i) Partnering – providing lentiviral vector bioprocessing and process development services to partners

(ii) R&D – the development of in vivo and ex vivo gene and cell therapy products which are owned by the Group, and the development of lentivirus-related platform technology which can improve the efficacy of therapeutic products or the bioprocessing processes. Included within this category is clinical and pre-clinical product development and also the development of technical intellectual property

Revenues, other operating income and operating loss by segment

EBITDA and Operating loss represent our measures of segment profit & loss as they are a primary measure used for the purpose of making decisions about allocating resources and assessing performance of segments.

2016	Partnering £'000	R&D £'000	Total £'000
Revenue	25,891	1,885	27,776
Other operating income	2,013	989	3,002
EBITDA	3,066	(10,126)	(7,060)
Depreciation, amortisation and share based payment	(2,860)	(1,393)	(4,253)
Operating loss	206	(11,519)	(11,313)

2015	Partnering £'000	R&D £'000	Total £'000
Revenue	14,439	1,470	15,909
Other operating income	1,847	1,015	2,862
EBITDA	(2,730)	(9,387)	(12,117)
Depreciation, amortisation and share based payment	(1,208)	(758)	(1,966)
Operating loss	(3,938)	(10,145)	(14,083)

Other operating income includes process development income of £1.4 million (2015: £1.1 million) and grant income of £1.6 million (2015: £1.7 million). Grant income of £1.0 million from Innovate UK to fund clinical and pre-clinical development is included within the R&D segment whilst grant income (£0.6 million) from AMSCI (UK Government's Advanced Manufacturing Supply Chain Initiative) to develop our supply chain capabilities is included within Partnering. Process development income is included within the Partnering segment.

Costs are allocated to the segments on a specific basis as far as possible. Costs which cannot readily be allocated specifically are apportioned between the segments using relevant metrics such as headcount or direct costs.

A geographical split of operating loss is not provided because this information is not received or reviewed by the chief operating decision-maker and the origin of all revenues is the United Kingdom.

A segmental or geographical split of assets and liabilities is not provided because this information is not received or reviewed by the chief operating decision-maker. All assets are located within the United Kingdom.

Revenue by geographical location

The Group's revenue derives wholly from assets located in the United Kingdom. Analysed by location of customers, revenue derives predominantly from Europe.

Revenue by customer location	2016 £'000	2015 £'000
Europe	**26,442**	15,382
Rest of world	**1,334**	527
Total revenue	**27,776**	15,909

5, Employees and directors

The monthly average number of persons (including executive directors) employed by the Group during the year was:

By activity	2016 Number	2015 Number
Office and management	**26**	20
Research, development and bioprocessing	**221**	176
Total	**247**	196

Employee benefit costs	2016 £'000	2015 £'000
Wages and salaries	**13,484**	9,397
Social security costs	**1,465**	1,137
Other pension costs (note 30)	**748**	561
Termination benefits	**–**	21
Share based payments (note 26)	**500**	339
Total employee benefit costs	**16,197**	11,455

Key management compensation	2016 £'000	2015 £'000
Wages and salaries	**2,409**	2,147
Social security costs	**313**	315
Other pension costs	**85**	102
Share based payments	**290**	243
Total	**3,097**	2,807

The key management figures above include executive and non-executive directors and the other members of the Senior Executive Team. Further information about the remuneration of individual directors is provided in the audited part of the Directors' remuneration report on pages 51 to 68, which forms part of these financial statements.

The Company had no employees during the year (2015: zero).

6, Finance income and costs

Group	2016 £'000	2015 £'000
Finance income:		
Bank interest receivable	**34**	26
Total finance income	**34**	26
Finance costs:		
Unwinding of discount in provisions (note 20)	**(5)**	(3)
Revaluation of liabilities in foreign currency	**(4,104)**	(1,031)
Interest payable	**(4,919)**	(1,891)
Total finance costs	**(9,028)**	(2,925)
Net finance income	**(8,994)**	(2,899)

Interest payable consisted of the cash interest payable on the Oberland loan facility (see note 19), currently 10.5%, and an accrual for the remaining 4.5% to provide a return of 15% per annum to Oberland. The 2015 interest payable also includes interest paid on the loan under the UK Government's Advance Manufacturing Supply Chain Initiative.

7, Expenses by nature

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Employee benefit costs	5	**16,197**	11,455	**267**	164
Depreciation of property, plant and equipment	12	**3,340**	1,264	**–**	–
Amortisation	11	**335**	363	**–**	–
Raw materials and consumables used in bioprocessing		**4,200**	2,563	**–**	–
Operating lease payments		**610**	646	**–**	–
Net loss/(gain) on foreign exchange		**132**	(288)	**–**	–

Company employee benefit costs of £267,000 (2015: £164,000) relates to non-executive directors costs paid by Oxford BioMedica UK Ltd and recharged to the Company.

During the year the Group (including its subsidiaries) obtained services from the Group's auditors and their associates as detailed below:

Services provided by the Group's auditors	Group 2016 £'000	Group 2015 £'000
Fees payable for the audit of the parent company and consolidated financial statements	**25**	25
Fees payable for other services:		
The audit of the Company's subsidiaries	**102**	90
Additional fees relating to prior year audit	**20**	15
Other services	**18**	24
Tax advisory services	**19**	1
Tax compliance services	**15**	19
Services relating to company finance and business development transactions	**264**	400
Total	**463**	574

8, Taxation

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The amount included in the statement of comprehensive income for the year ended 31 December 2016 comprises the credit receivable by the Group for the year less overseas tax paid in the year. The United Kingdom corporation tax research and development credit is paid in arrears once tax returns have been filed and agreed. The tax credit recognised in the financial statements but not yet received is included in current tax assets in the balance sheet. The amounts for 2016 have not yet been agreed with the relevant tax authorities.

	Group	
Current tax	**2016 £'000**	2015 £'000
United Kingdom corporation tax research and development credit	**(3,000)**	(2,721)
Overseas taxation	**50**	5
	(2,950)	(2,716)
Adjustments in respect of prior periods		
United Kingdom corporation tax research and development credit	**(716)**	(1,247)
Taxation credit	**(3,666)**	(3,963)

The Company has no tax liability, nor is it entitled to tax credits (2015: £nil).

The tax credit for the year is lower (2015: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Loss on ordinary activities before tax	**(20,307)**	(16,982)	**(1,781)**	(438)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	**(4,061)**	(3,439)	**(356)**	(89)
Effects of:			**–**	–
Tax depreciation and other timing differences	**–**	461	**–**	–
Expenses not deductible for tax purposes	**317**	39	**–**	–
R&D relief mark-up on expenses	**(1,056)**	(2,609)	**–**	–
Difference in rate relating to R&D tax credits	**–**	1,316	**–**	–
Tax deduction for share options less than share option accounting charge	**115**	69	**–**	–
Overseas tax	**50**	5	**–**	–
Tax losses carried forward to future periods	**1,707**	1,442	**356**	89
Adjustments in respect of prior periods	**(738)**	(1,247)	**–**	–
Current tax credit for the year	**(3,666)**	(3,963)	**–**	–

At 31 December 2016, the Group had tax losses to be carried forward of approximately £90.9 million (2015: £98.6 million). Of the Group tax losses, £90.9 million (2015: £98.6 million) arose in the United Kingdom.

There is no deferred tax recognised (see note 22).

9, Basic loss and diluted loss per ordinary share

The basic loss per share of 0.60p (2015:0.51p) has been calculated by dividing the loss for the year by the weighted average number of shares in issue during the year ended 31 December 2016 (2,778,182,534; 2015: 2,570,202,150).

As the Group is loss-making, there were no potentially dilutive options in either year. There is therefore no difference between the basic loss per ordinary share and the diluted loss per ordinary share.

10, Loss for the financial year

As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements. The Company's loss for the year was £1,781,000 (2015: £438,000).

11, Intangible assets

Intangible assets comprise intellectual property rights.

	2016 £'000	2015 £'000
At 1 January and 31 December	**5,591**	5,591
Accumulated amortisation and impairment		
At 1 January	**3,848**	3,485
Amortisation charge for the year	**335**	363
Impairment charge for the year	**78**	–
At 31 December	**4,261**	3,848
Net book amount at 31 December	**1,330**	1,743

Within the intangible assets closing balance is a £1.0 million Prime Boost technology and poxvirus patent which has been licensed to Bavarian Nordic (2015: £1.3 million). It is being amortised over 11 years.

For intangible assets regarded as having a finite useful life amortisation commences when products underpinned by the intellectual property rights become available for use. Amortisation is calculated on a straight line basis over the remaining patent life of the asset. Amortisation of £335,000 (2015: £363,000) is included in 'Research, development and bioprocessing costs' in the statement of comprehensive income.

An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. There are currently no assets with indefinite useful lives.

The Company had no intangibles at 31 December 2016 or 31 December 2015.

12, Property, plant and equipment

	Freehold property £'000	Leasehold improve-ments £'000	Office equipment and computers £'000	Manufac-turing and Laboratory equipment £'000	Assets under Construction[1] £'000	Total £'000
Cost						
At 1 January 2016	6,938	7,397	1,374	7,574	9,744	33,027
Additions at cost	–	206	506	1,526	4,220	6,458
Reclassification	13,964	–	–	–	(13,964)	–
Disposals	–	(633)	(229)	(2,612)	–	(3,474)
At 31 December 2016	**20,902**	**6,970**	**1,651**	**6,488**	**–**	**36,011**
Accumulated depreciation						
At 1 January 2016	921	2,909	753	4,048	–	8,631
Charge for the year	1,385	522	353	1,080	–	3,340
Disposals	–	(633)	(229)	(2,612)	–	(3,474)
At 31 December 2016	**2,306**	**2,798**	**877**	**2,516**	**–**	**8,497**
Net book amount at 31 December 2016	**18,596**	**4,172**	**774**	**3,972**	**–**	**27,514**

	Freehold property £'000	Leasehold improve-ments £'000	Office equipment and computers £'000	Manufac-turing and Laboratory equipment £'000	Assets under Construction[1] £'000	Total £'000
Cost						
At 1 January 2015	6,887	2,623	820	5,335	646	16,311
Additions at cost	51	863	554	2,239	13,009	16,716
Disposals	–	3,911	–	–	(3,911)	–
At 31 December 2015	**6,938**	**7,397**	**1,374**	**7,574**	**9,744**	**33,027**
Accumulated depreciation						
At 1 January 2015	698	2,579	595	3,495	–	7,367
Charge for the year	223	330	158	553	–	1,264
At 31 December 2015	**921**	**2,909**	**753**	**4,048**	**–**	**8,631**
Net book amount at 31 December 2015	**6,017**	**4,488**	**621**	**3,526**	**9,744**	**24,396**

1 Assets under construction represents the capitalisation of construction works at the Harrow House and Yarnton manufacturing facilities and the Windrush Court laboratories.

The Company had no property, plant and equipment at 31 December 2016 or 31 December 2015.

13, Investments

Investments: Group

On 29 November 2016, as part of a strategic alliance with Orchard Therapeutics, the Group received a 1.95 % equity stake in Orchard. This investment has been classified at fair value through the profit and loss (2016: £657,000; 2015: £nil). As Orchard Therapeutics is a private company, the equity investment has not been valued based on observable market data.

Investments: Company

	2016 £'000	2015 £'000
Shares in group undertakings		
At 1 January	**15,182**	17,158
Liquidation of Biomedica inc.	**–**	(1,976)
At 31 December	**15,182**	15,182
Loans to group undertakings		
At 1 January	**160,293**	159,312
Loan advanced in the year	**10,346**	981
At 31 December	**170,639**	160,293
Total investments in shares and loans to group undertakings	**185,821**	175,475
Accumulated impairment		
At 1 January	**126,065**	128,041
Liquidation of Biomedica inc.	**–**	(1,976)
At 31 December	**126,065**	126,065
Net book amount at 31 December	**59,756**	49,410
Capital contribution in respect of employee share schemes (see note 26)		
At 1 January	**5,552**	5,213
Additions in the year	**500**	339
At 31 December	**6,052**	5,552
Total investments	**65,808**	54,962

Interests in subsidiary undertakings

	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by the Group and Company	Nature of business
Oxford BioMedica (UK) Limited	Great Britain	1p ordinary shares	100%	Gene therapy research and development
Oxxon Therapeutics Limited	Great Britain	1p ordinary shares	100%	Dormant

The registered office of both subsidiaries is Windrush Court, Transport Way, Oxford, OX4 6LT.

In addition, during 2014, the Group set up the Oxford BioMedica Employee Benefit Trust (EBT) to hold market-purchased shares to settle the 2013 deferred bonus share awards made to executive directors and employees (Note 25).

All of the above subsidiaries have been consolidated in these financial statements.

At each year end the directors review the carrying value of the Company's investment in subsidiaries. Where there is a material and sustained shortfall in the market capitalisation, or a significant and sustained change in the business resulting in a decrease in market capitalisation, the directors consider this to be a trigger of an impairment review as set out in IAS 36, and the carrying value of the Company's investments in subsidiaries is adjusted. The directors consider that reference to the market capitalisation of the Group is an appropriate external measure of the value of the Group for this purpose. Following an impairment review at 31 December 2016 no impairment charge was assessed to be required. Cumulative impairment of £126.0m has been recognised up to 31 December 2016.

14, Inventories

Group	**2016 £'000**	2015 £'000
Raw Materials	**2,120**	2,217
Work-in-progress	**82**	489
Total inventory	**2,202**	2,706

Inventories constitute raw materials held for commercial bioprocessing purposes, and work-in-progress inventory related to contractual bioprocessing obligations.

During 2016, the Group wrote down £29,000 of inventory which is not expected to be used in production or sold onwards.

The Company holds no inventories.

15, Trade and other receivables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade receivables	**1,969**	7,374	**–**	–
Accrued income	**2,919**	1,155	**–**	–
Other receivables	**238**	31	**–**	–
Other tax receivable	**1,330**	1,522	**–**	–
Prepayments	**448**	848	**3**	11
Total trade and other receivables	**6,904**	10,930	**3**	11

The fair value of trade and other receivables are the current book values.

Included in the Group's trade receivable balance are debtors with a carrying amount of £47,000 (2015: £826,000) which were past due at the reporting date, all of which have since been received.

Ageing of past due but not impaired trade receivables:

	2016 £'000	2015 £'000
0 – 30 days	**5**	716
30 – 60 days	**42**	110
	47	826

Accrued income of £2,919,000 (2015: £1,155,000) arises where work has been undertaken which is recoverable from third parties but which has not yet been invoiced. The balance mainly relates to commercial development work orders accrued on a percentage complete basis which will be invoiced as the related work package completes.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2016 £'000	2015 £'000
Sterling	**6,893**	8,011
US Dollar	**11**	2,919
	6,904	10,930

The Company's receivables are all denominated in Sterling.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above. The Group does not hold any collateral as security.

16, Cash and cash equivalents

The Group is required under the Oberland Facility to maintain cash and cash equivalents of not less than $10 million (£8.1 million) while the Oberland Facility is outstanding.

17, Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	**1,576**	3,588	**–**	–
Other taxation and social security	**442**	384	**–**	–
Accruals	**3,985**	5,314	**176**	26
Total trade and other payables	**6,003**	9,286	**176**	26

18, Deferred income

Deferred income arises when the Group has received payment for services in excess of the stage of completion of the services being provided.

The Company had no deferred income in 2016 or 2015.

19, Loans

In May 2015, the Group entered into the $50 million Oberland Facility. The Group has used $40 million (£26.1 million) of the facility to finance the Group's expansion of its bioprocessing and laboratory capacity in order to enable it to deliver on commitments under its bioprocessing agreement with Novartis. The Group drew down $25 million (£16.3 million) of the loan in May 2015 and a further $15 million (£9.8 million) in September 2015 to ensure adequate finance for the ongoing capacity expansion programme. The remaining funds under the Oberland Facility are available to be drawn down in minimum tranches of $5 million at the Group's option prior to 31 March 2017 and the proceeds of such drawdowns may be used only for certain permitted acquisitions and licensing activities as approved by Oberland in its sole discretion. The Oberland Facility is repayable not later than 1 May 2022 and may be prepaid at any time. Over the course of the loan term, interest is payable quarterly at an annual interest rate of 9.5 per cent plus the greater of 1 per cent and three month LIBOR. Under the terms of the Oberland Facility, loans are issued at an original discount of 2.5 per cent.

In addition to interest, a repayment fee is also payable upon any repayment including on exit. Oxford BioMedica will also pay an additional amount of 0.35 per cent of its annual worldwide net revenue, as calculated from the Group's financial statements, from 1 April 2017 to 31 December 2025 for each $5 million of loan drawn down over $30 million. This revenue participation may be retired at any time upon payment of an exit fee. In the event that the loan is repaid after the second anniversary there may be a true-up payment payable to Oberland in the event that the aggregate of the interest payments, revenue participation payments and exit fee do not provide a return of 15 per cent per annum to Oberland. The outstanding balance at year end is £34.4 million (2015: £27.3 million).

The Group is required to maintain a cash balance not less than $10 million (approximately £8.1 million) while the Oberland Facility is outstanding. The Oberland Facility is secured by a pledge over substantially all of the Group's assets. Drawdowns of additional tranches are subject to certification by Oxford BioMedica that representations and warranties under the Oberland Facility agreement remain true and correct as of the drawdown date, and certifications relating to no default or material adverse effect are made.

In 2013, the Group was awarded a funding package of £7.1 million under the UK Government's Advanced Manufacturing Supply Chain Initiative. Of this package, £5.3 million was a loan facility bearing interest at 6 per cent, and £1.8 million was in the form of grant finance. In April 2014, the Group drew down £1 million from the AMSCI facility. In March 2015, the Group drew down a further £2 million from the AMSCI facility. During May 2015, the loan facility was terminated and the outstanding balance was repaid.

20, Provisions

Group	Dilapidations £'000
At 1 January 2016	1,371
Unwinding of discount	5
Utilisation of provision	(833)
Additional provision recognised	79
At 31 December 2016	**622**
At 1 January 2015	535
Unwinding of discount	3
Additional provision recognised	833
At 31 December 2015	**1,371**

	2016 £'000	2015 £'000
Current	**–**	838
Non-current	**622**	533
Total provisions	**622**	1,371

The dilapidations provisions relate to anticipated costs of restoring the leasehold Medawar and Yarnton properties in Oxford, UK to their original condition at the end of leases in 2016 and 2024 respectively, discounted using the rate per the Bank of England nominal yield curve. The equivalent rate was used in 2015. The provisions will be utilised at the end of the leases if they are not renewed, and for that reason, the provision in respect of the Medawar Centre was released in 2016 at the end of the lease.

The Company had no provisions at 31 December 2016 or 31 December 2015.

21, Financial instruments

The Group's and Company's financial instruments comprise cash and cash equivalents, trade and other receivables, loans, and trade and other payables. Additional disclosures are set out in the corporate governance statement and in note 3 relating to risk management.

The Group had the following financial instruments at 31 December each year:

	Assets		Liabilities	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Cash and cash equivalents (note 16)	**15,335**	9,355	**–**	–
Trade receivables and other receivables (note 15)	**2,207**	7,405	**–**	–
Trade and other payables excluding tax (note 17)	**–**	–	**5,561**	8,902
Loans (note 19)	**–**	–	**34,389**	27,255
	17,542	16,760	**39,950**	36,157

Floating rate instant access deposits earned interest at prevailing bank rates.

	2016	2015
	Year average	Year average
	Weighted average rate	Weighted average rate
Sterling	**0.46%**	0.62%
US Dollars	**0.26%**	0.10%

In accordance with IAS 39 'Financial instruments: Recognition and measurement' the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they meet certain requirements set out in the standard. There were no such derivatives identified at 31 December 2016 or 31 December 2015.

Fair value

The directors consider that the fair values of the Group's financial instruments do not differ significantly from their book values.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2016 £'000	2015 £'000
Sterling	**7,076**	2,076
US Dollar	**8,259**	7,279
	15,335	9,355

22, Deferred taxation

Neither the Company nor the Group had any recognised deferred tax assets or liabilities at 31 December 2016 (2015: £nil). In light of the Group's continuing losses, recovery of the deferred tax asset is not sufficiently certain, and therefore no asset has been recognised.

The main rate of corporation tax in the UK reduces from 20% to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. As these changes were substantively enacted during 2015, they are reflected in the tax charge for the prior year. Legislation to further reduce the main rate of corporation tax in the UK to 17% from 1 April 2020 was substantively enacted during 2016, and has therefore been reflected in these financial statements.

Group Deferred tax (assets)/liabilities – not recognised	Tax depreciation £'000	Provisions £'000	Tax losses £'000	Share options £'000	Total £'000
At 1 January 2016	(972)	(270)	(17,869)	(192)	(19,303)
Origination and reversal of temporary differences	(309)	15	1,844	(96)	1,454
At 31 December 2016	(1,281)	(255)	(16,025)	(288)	(17,849)
At 1 January 2015	(871)	(120)	(19,278)	(146)	(20,415)
Origination and reversal of temporary differences	(101)	(150)	1,409	(46)	1,112
At 31 December 2015	(972)	(270)	(17,869)	(192)	(19,303)

23, Ordinary shares

Group and Company Issued and fully paid	2016 £'000	2015 £'000
Ordinary shares of 1p each		
At 1 January – 2,574,252,580 (2015: 2,565,896,766) shares	**25,741**	25,659
Allotted for cash in placing and subscription – 511,755,193 (2015: nil) shares	**5,118**	–
Allotted on exercise of share options – 2,039,537 (2015: 8,355,814) shares	**20**	82
At 31 December – 3,088,047,310 (2015: 2,574,252,580) shares	**30,879**	25,741

In February 2016 the Company raised £8.1 million gross proceeds by way of a placing of 128,383,523 ordinary shares at a price of 6.3 pence per share. Net proceeds after expenses were £7.5 million.

In September 2016 the Company raised £11.5 million gross proceeds by way of a placing of and subscription for 383,371,665 ordinary shares at a price of 3.0 pence per share. Net proceeds after expenses were £10.0 million.

24, Share premium account

Group and Company	2016 £'000	2015 £'000
At 1 January	**141,677**	141,615
Premium on shares issued for cash in placing and subscription	**14,445**	–
Premium on exercise of share options	**39**	62
Costs associated with the issue of shares	**(2,125)**	–
At 31 December	**154,036**	141,677

25, Options over shares of Oxford BioMedica plc

The Company has outstanding share options that were issued under the following schemes:

— The 2007 Share Option Scheme (approved February 2007)

— The 2015 Executive Share Option Scheme (approved May 2015)

— The 2007 Long Term Incentive Plan (LTIP) for executive directors and senior executives (approved February 2007)

— The 2015 Long Term Incentive Plan (LTIP) (approved May 2015)

— The 2014 Deferred Bonus Plan

— The 2015 Deferred Bonus Plan (approved May 2015)

— The 2015 Save As You Earn Scheme (approved May 2015)

Share options are granted to executive directors and selected senior managers under the Company's Long Term Incentive Plans (LTIP) and to other employees under the Share Option Schemes. All option grants are at the discretion of the Remuneration Committee.

Options granted under the 2007 and 2015 LTIPs to directors and other senior managers are subject to market condition performance criteria and will vest only if, at the third anniversary of the grant, the performance criteria have been met. Failure to meet the minimum performance criteria by the third anniversary results in all the granted options lapsing. The performance criteria are described in the Directors' remuneration report. LTIP awards made to date are exercisable at either par or a nil cost on the third anniversary of the date of grant, and lapse 10 years after being granted.

Options granted under the 2007 Share Option Scheme have fixed exercise prices based on the market price at the date of grant. They are not subject to market condition performance criteria and the lives of the options are ten years, after which the options expire. Options granted prior to 2012 cannot normally be exercised before the third anniversary of the date of grant. Options granted under the 2007 Scheme during 2012 to 2014, with one exception, vest in tranches of 25% from the first to fourth anniversaries of the grant dates.

Options granted under the 2015 Executive Share Option Scheme have fixed exercise prices based on the market price at the date of grant. They are not subject to market condition performance criteria and the lives of the options are ten years, after which the options expire. Options granted under the 2015 Scheme cannot normally be exercised before the third anniversary of the date of grant.

Options granted under the 2015 Save As You Earn Scheme have fixed exercise prices based on the market price at the date of grant. They are not subject to market condition performance criteria and the lives of the options are ten years, after which the options expire. Options cannot be exercised before the third anniversary of the date of grant.

Share options outstanding at 31 December 2016 have the following expiry date and exercise prices:

Options granted to employees under the Oxford BioMedica 2007 and 2015 Share Option Schemes

2016 Number of shares	2015 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
425,000	425,000	5.75p	13/10/11	13/10/18
151,877	151,877	6.10p	25/03/12	25/03/19
1,545,983	1,605,983	5.4p to 5.8p	15/03/14 to 04/10/14	15/03/21 to 04/10/21
2,822,537	3,232,328	2.3p to 3.1p	08/05/13 to 21/12/13*	08/05/22 to 21/12/22
5,164,133	5,849,587	1.6p to 2.8p	22/05/14 to 19/11/14*	22/05/23 to 19/11/23
5,475,269	6,348,317	2.0p to 4.0p	03/06/15 to 17/10/15*	03/06/24 to 17/10/24
9,172,881[1]	9,947,708[1]	9.8p	13/03/18 to 01/06/18	13/03/25 to 10/06/25
13,576,673[1]	–	2.9p to 5.49p	16/05/19 to 13/10/19	16/05/26 to 13/10/26
38,334,353	27,560,800			

* With one exception, options granted in 2012, 2013 and 2014 vest in 25% tranches on the first to fourth anniversaries of the grant date
The date from which exercisable shows the date on which the first 25% vests
Note 1 – Options granted under the 2015 Executive share option scheme

Options granted to employees under the Oxford BioMedica 2015 Save As You Earn Scheme

2016 Number of shares	2015 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
4,214,046	5,516,286	6.2p	01/10/18	01/10/25
8,293,338	–	2.9p	13/10/19	13/10/26
12,507,384	5,516,286			

Options granted under the Oxford BioMedica 2007 and 2015 Long Term Incentive Plans

2016 Number of shares	2015 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
1,000,000	1,000,000	1p	Vested	13/10/18
20,480,000[1]	20,480,000[1]	1p	Vested	30/06/22
8,975,127[1]	19,501,808[1]	1p	Vested	12/06/23
20,879,740[1]	20,879,740[1]	1p	20/6/17 to 17/10/17	20/6/24 to 17/10/24
10,545,754[1]	10,545,754[1,2]	0p	10/01/18	10/01/25
8,945,532[1,2]	–	0p		
70,826,153	72,407,302			
121,667,890	105,484,388			

Note 1 – These LTIP awards will vest provided that performance conditions specified in the Directors' remuneration report are met
Note 2 – Options granted under the 2015 LTIP

Deferred Share Awards

The executive directors and certain other senior managers have been awarded deferred bonuses in the form of share options. These options will vest provided that the managers are still employed by the Group on certain specified future dates and are exercisable at nil p on either the first three anniversaries of the grant or the third anniversary of the grant dependent on the option conditions. Options with a value of £365,000 vested during 2016 (2015: £391,000).

The options granted under the 2014 Deferred Bonus Plan will be satisfied by market-purchased shares held by the Oxford BioMedica Employee Benefit Trust (EBT). The EBT has purchased and currently holds 3,107,502 shares to meet options which vested up to the end of 2016, 1,553,751 shares to meet options which will vest on 20 June 2017, and 2,500,000 shares to meet options which will vest on 17 October 2017. The EBT is consolidated at year end with the shares held in trust accounted for as part of the treasury reserve within equity (Note 28).

The options granted under the 2015 Deferred Bonus Plan will be satisfied by new issue shares at the time of exercise.

Certain options granted to UK employees could give rise to a national insurance (NI) liability on exercise. A provision of £80,000 (2015: £56,000) is included in accruals for the potential NI liability accrued to 31 December on exercisable options that were above water, based on the year-end share price of 4.07p (2015: 6.50p) per share.

26, Share based payments

The fair values of options granted during the year were calculated using the following assumptions:

Share options (Model used: Black Scholes)	Options awarded 16 May 2016
Share price at grant date	5.45p
Exercise price	5.49p
Vesting period (years)	3
Total number of shares under option	14,127,223
Expected volatility (weighted average)	64%
Expected life (years)	3
Risk free rate (weighted average)	0.55%
Fair value per option	2.3p

Save As You Earn scheme awards (Model used: Black Scholes)	Options awarded 13 October 2016
Share price at grant date	3.05p
Exercise price	2.95p
Vesting period (years)	3
Total number of shares under option	8,293,388
Expected volatility (weighted average)	59%
Expected life (years)	3
Risk free rate (weighted average)	0.22%
Fair value per option	1.2p

LTIP awards (Model used: Monte Carlo)	LTIPs awarded 16 May 2016
Share price at grant date	5.45p
Exercise price	0.0p
Vesting period (years)	3
Total number of shares under option	8,945,532
Expected volatility (weighted average)	64%
Expected life (years)	3
Risk free rate (weighted average)	0.55%
Fair value per option	2.9p

The tables below show the movements in the Share Option Scheme, Save As You Earn Scheme and the LTIP during the year, together with the related weighted average exercise prices.

Excluding the LTIP awards which are exercisable at par, the weighted average exercise price for options granted during the year was 4.5p (2015: 9.7p).

2,039,537 options were exercised in 2016 (2015: 8,355,814).

The total charge for the year relating to employee share based payment plans was £500,000 (2015: £339,000), all of which related to equity-settled share based payment transactions.

	2016		2015	
Share options excluding LTIP	**Number**	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**33,077,086**	**5.5p**	21,902,281	3.0p
Granted	**22,602,217**	**4.6p**	16,068,752	8.5p
Forfeited	**(2,348,886)**	**6.0p**	(1,798,133)	5.4p
Exercised	**(1,186,440)**	**2.5p**	(3,095,814)	3.3p
Cancelled	**(1,302,240)**	**6.2p**	–	–
Outstanding at 31 December	**50,841,737**	**5.1p**	33,077,086	5.5p
Exercisable at 31 December	**10,109,530**	**3.1p**	7,992,137	3.4p
Exercisable and where market price exceeds exercise price at 31 December	**7,986,670**	**2.4p**	7,992,137	3.4p

LTIP awards (options exercisable at par value 1p or nil cost)	**2016 Number**	2015 Number
Outstanding at 1 January	**72,407,302**	67,121,548
Granted	**8,945,532**	10,545,754
Expired	**(9,750,907)**	–
Exercised	**(775,774)**	(5,260,000)
Outstanding at 31 December	**70,826,153**	72,407,302
Exercisable at 31 December	**30,455,127**	21,480,000

	2016			2015		
Range of exercise prices	**Weighted average exercise price**	**Number of shares**	**Weighted average remaining life (years) Contractual**	Weighted average exercise price	Number of shares	Weighted average remaining life (years) Contractual
LTIP:						
Exercisable at par or at nil cost	**0.7p**	**70,826,153**	**7.1**	0.9p	72,407,302	7.7
Options:						
1p to 3p	**2.5p**	**17,137,416**	**8.3**	2.0p	10,151,530	7.9
3p to 5p	**3.5p**	**4,617,911**	**6.3**	3.5p	5,278,702	7.3
5p to 7p	**5.7p**	**19,913,529**	**8.7**	6.0p	7,699,146	8.4
7p +	**9.8p**	**9,172,881**	**8.4**	9.7p	9,947,708	9.4
		121,667,890			105,484,388	

27, Accumulated losses

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
At 1 January	**(158,713)**	(145,618)	**(119,602)**	(119,164)
Loss for the year	**(16,641)**	(13,019)	**(1,781)**	(438)
Share based payments	**865**[1]	730	**–**	–
Vesting of deferred share award	**–**	(124)	**–**	–
Liquidation of BioMedica Inc.	**–**	(682)	**–**	–
At 31 December	**(174,489)**	(158,713)	**(121,383)**	(119,602)

1 – The credit to accumulated losses is made up out of the charge for the year relating to employee share based payment plans of £500,000 (note 26) and £365,000 related to the vesting of deferred share awards made to executive directors and senior managers (note 25)

Neither the Company nor its subsidiary undertakings had reserves available for distribution at 31 December 2016 or 31 December 2015.

28, Other reserves

Group	Translation reserve £'000	Merger reserve £'000	Treasury reserve £'000	Total £'000
At 1 January and 31 December 2016	**–**	**2,291**	**(102)**	**2,189**
At 1 January 2015	(682)	2,291	(226)	1,383
Vesting of deferred share award	–	–	124	124
Liquidation of BioMedica Inc.	682	–	–	682
At 31 December 2015	**–**	**2,291**	**(102)**	**2,189**

During 2015, BioMedica Inc. completed the process of being liquidated, eliminating the balance on the translation reserve.

The Group merger reserve at 31 December 2016 and 2015 comprised £711,000 arising from the consolidation of Oxford BioMedica (UK) Ltd using the merger method of accounting in 1996, and £1,580,000 from the application of merger relief to the purchase of Oxxon Therapeutics Limited in 2007.

The treasury reserve consists of 4,053,751 (2015: 5,607,502) ordinary shares awarded as deferred shares and held in trust until such time as they vest (Note 25).

Company	Merger reserve £'000	Share Scheme Reserve £'000
At 1 January 2016	1,580	5,552
Credit in relation to employee share schemes	–	500
At 31 December 2016	**1,580**	**6,052**
At 1 January 2015	1,580	5,213
Credit in relation to employee share schemes	–	339
At 31 December 2015	**1,580**	**5,552**

Options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRS 2 'Share-based Payment' the expense in respect of these awards is recognised in the subsidiaries' financial statements (see note 25). In accordance with IFRS 2, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment of £500,000 (2015: £339,000) (see note 13) and a corresponding credit to reserves.

29, Cash flows from operating activities

Reconciliation of loss before tax to net cash used in operations:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Continuing operations				
Operating loss	**(11,313)**	(14,083)	**(1,781)**	(438)
Adjustment for:				
Depreciation	**3,340**	1,264	**–**	–
Amortisation of intangible assets	**335**	363	**–**	–
Charge for impairment	**78**	–	**–**	–
Charge in relation to employee share schemes	**865**	730	**–**	–
Non-cash revenues	**(657)**	–	**–**	–
Changes in working capital:				
Decrease/(increase) in trade and other receivables	**4,026**	(5,777)	**8**	–
(Decrease)/increase in trade and other payables	**(3,283)**	2,982	**150**	(15)
Increase in deferred income	**268**	118	**–**	–
(Decrease)/increase in provisions	**(749)**	836	**–**	–
Increase in investments	**657**	–	**–**	–
Decrease/(increase) in inventory	**504**	(1,299)	**–**	–
At 31 December	**(5,929)**	(14,866)	**(1,623)**	(453)

30, Pension commitments

The Group operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held in independently administered funds. The pension cost charge of £748,000 (2015: £561,000) represents amounts payable by the Group to the scheme. Contributions of £109,000 (2015: £95,000), included in accruals, were payable to the scheme at the year-end.

31, Operating lease commitments – minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	**2016 £'000**	2015 £'000
Not later than one year	**104**	278
Later than one year and not later than five years	**339**	360
Over five years	**226**	308
Total lease commitments	**669**	946

The Group leases equipment under non-cancellable operating lease agreements. The Group also leased its Medawar Centre laboratories and offices, as well as the manufacturing site at Yarnton, Oxford under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

The Company had no operating lease commitments during the year (2015: none).

32, Contingent liabilities and capital commitments

The Group had commitments of £237,000 for capital expenditure for leasehold improvements, plant and equipment not provided in the financial statements at 31 December 2016 (2015: £2,555,000).

33, Related party transactions

Identity of related parties

The Group consists of a parent, Oxford BioMedica plc, one wholly-owned trading subsidiary (Oxford BioMedica (UK) Limited), the principal trading company, and one dormant subsidiary (Oxxon Therapeutics Limited), which was acquired and became dormant in 2007 when its assets and trade were transferred to Oxford BioMedica (UK) Limited.

The parent company is responsible for financing and setting group strategy. Oxford BioMedica (UK) Limited carries out the Group strategy, employs all the UK staff including the directors, and owns and manages all of the Group's intellectual property. The proceeds from the issue of shares by the parent are passed from Oxford BioMedica plc to Oxford BioMedica (UK) Limited as a loan, and Oxford BioMedica (UK) Limited manages group funds and makes payments, including the expenses of the parent company.

Company: transactions with subsidiaries	**2016 £'000**	2015 £'000
Purchases:		
Parent company expenses paid by subsidiary	**(2,448)**	(867)
Cash management:		
Cash loaned by parent to subsidiary	**12,794**	1,848

The loan from Oxford BioMedica plc to Oxford BioMedica (UK) Limited is unsecured and interest free. The loan is not due for repayment within 12 months of the year end. The year-end balance on the loan was:

Company: year-end balance of loan	**2016 £'000**	2015 £'000
Loan to subsidiary	**170,639**[1]	160,293[1]

1 – The investment in the subsidiary, of which the loan forms part, has been impaired by £126 million (note 13) in previous years)

In addition to the transactions above, options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRS 2, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in a cumulative increase in the cost of investment of £6,052,000 (2015: £5,552,000).

There were no transactions (2015: none) with Oxxon Therapeutics Limited.

Company: transactions with related parties

There is an outstanding balance of £28,000 (2015: nil) owed to Lorenzo Tallarigo. There were no other outstanding balances in respect of transactions with directors and connected persons at 31 December 2016 (2015: none). Key person remuneration can be seen in the Directors' remuneration report on pages 51 to 68.

Oxford BioMedica specific terminology

LentiVector® platform

Oxford BioMedica's LentiVector® platform technology is an advanced lentiviral vector based gene delivery system which is designed to overcome the safety and delivery problems associated with earlier generations of vector systems. The technology can stably deliver genes into cells with up to 100% efficiency and can integrate genes into non-dividing cells including neurons in the brain and retinal cells in the eye. In such cell types, studies suggest that gene expression could be maintained indefinitely. The LentiVector® platform technology also has a larger capacity than most other vector systems and can accommodate multiple therapeutic genes.

OXB-101/OXB-102: Parkinson's disease

OXB-102 is a gene-based treatment for Parkinson's disease, a progressive movement disorder caused by the degeneration of dopamine producing nerve cells in the brain. OXB-102 uses the Company's LentiVector® platform technology to deliver the genes for three enzymes that are required for the synthesis of dopamine. The product is administered locally to the region of the brain called the striatum, converting cells into a replacement dopamine factory within the brain, thus replacing the patient's own lost source of the neurotransmitter. OXB-101 was the first generation version of this product, OXB-102 is the second generation.

OXB-201: "wet" age-related macular degeneration

OXB-201 is a gene-based treatment for neovascular "wet" age-related macular degeneration (AMD) and diabetic retinopathy (DR). OXB-201 aims to preserve and improve the vision of patients through anti-angiogenesis; blocking the formation of new blood vessels. The product uses the Company's LentiVector® platform technology to deliver two anti-angiogenic genes, endostatin and angiostatin, directly to the retina.

SAR 422459: Stargardt disease

SAR 422459 is a gene-based therapy for the treatment of Stargardt disease. The disease is caused by a mutation of the ABCR gene which leads to the degeneration of photoreceptors in the retina and vision loss. SAR 422459 uses the Company's LentiVector® platform technology to deliver a corrected version of the ABCR gene. A single administration of the product directly to the retina could provide long-term or potentially permanent correction.

SAR 421869: Usher syndrome type 1B

SAR 421869 is a gene-based therapy for the treatment of Usher syndrome 1B. The disease is caused by a mutation of the gene encoding myosin VIIA (MY07A), which leads to progressive retinitis pigmentosa combined with a congenital hearing defect. SAR 421869 intends to address vision loss due to retinitis pigmentosa by using the Company's LentiVector® platform technology to deliver a corrected version of the MYO7A gene. A single administration of the product could provide long-term or potentially permanent correction.

OXB-202: corneal graft rejection

OXB-202 is a gene-based treatment for the prevention of corneal graft rejection. Corneal grafting arises from a need to remove and replace pathology arising in the cornea causing 'clouding'. Although one of the most successfully transplanted tissues, a significant number of grafts are rejected due to vascularisation. OXB-202 uses the Company's LentiVector® platform technology to deliver endostatin and angiostatin *ex vivo* to donor corneas prior to transplant in order to block vascularisation and to prevent graft rejection.

5T4 tumour antigen

The 5T4 tumour antigen is a unique protein found on most common types of solid cancer. It is potentially a valuable target for novel anti-cancer interventions given its restricted expression in normal tissues and its high prevalence on the surface of both primary and metastatic cancerous cells. The 5T4 tumour antigen was identified through research into the similarities between the development of the placenta during pregnancy and the progression of cancer. 5T4 is produced by both cancerous cells and also by placental and foeta cells,suggesting that the process of immunological escape in pregnancy and cancer is based on similar mechanisms.

OXB-302 (CAR-T5T4): cancer

OXB-302 aims to destroy cancerous cells expressing the 5T4 tumour antigen. It uses the Group's LentiVector® platform and 5T4 antigen to target cancer cells expressing 5T4 tumour antigen expressed on the surface of most solid tumours and some haematological malignancies.

OXB-301 (MVA-5T4): cancer

OXB-301 is a therapeutic vaccine that stimulates the immune system to destroy cancerous cells expressing the 5T4 tumour antigen which is present on most solid tumours. The product is based on an attenuated modified vaccinia virus Ankara (MVA), engineered to deliver the 5T4 antigen. Vaccinia viruses are commonly used as delivery systems for the development of antigen-specific vaccines. MVA is the vaccinia strain of choice because of its excellent safety profile.

Terminology not specific to Oxford BioMedica

AAV

Adeno-associated viruses (AAV) is a small virus which infects humans and some other primate species.

Advanced Manufacturing Supply Chain Initiative (AMSCI)

The Advanced Manufacturing Supply Chain Initiative is a funding competition designed to improve the global competitiveness of UK advanced manufacturing supply chains.

Anti-angiogenisis

The creation of new blood vessels, known as angiogenesis, is a critical element in tumour formation and growth. Endostatin and angiostatin were discovered by one of the best known researchers in the field of angiogenesis, Dr Judah Folkman of Children's Hospital and the Harvard Medical School in Boston. The proteins have shown potent anti-cancer activity in preclinical models and a potentially additive effect when used in combination.

CAR-T therapy

Adoptive transfer of T cells expressing Chimeric Antigen Receptors (CAR) is an anti-cancer therapeutic as CAR-modified T cells can be engineered to target virtually any tumour associated antigen.

Cell therapy

Cell therapy is defined as the administration of live whole cells in a patient for the treatment of a disease often in an *ex vivo* setting.

Clinical trials (testing in humans)

Clinical trials involving new drugs are commonly classified into three phases. Each phase of the drug approval process is treated as a separate clinical trial. The drug-development process will normally proceed through the phases over many years. If the drug successfully passes through all phases it may be approved by the regulatory authorities

- Phase I: screening for safety
- Phase II: establishing the efficacy of the drug, usually against a placebo
- Phase III: final confirmation of safety and efficacy

CTL019

CTL019 is a CAR-T cell therapy for patients with B cell cancers such as acute lymphoblastic leukemia (ALL), B cell non-Hodgkin lymphoma (NHL), adult disease chronic lymphocytic leukemia (CLL) and diffuse large B cell lymphoma.

DLBCL

Diffuse large B-cell lymphoma (DLBCL) is a cancer of B cells, a type of white blood cell responsible for producing antibodies. It is the most common type of non-Hodgkin lymphoma among adults.

DNA

Deoxyribonucleic acid (DNA) is a molecule that carries genetic information.

Ex Vivo

Latin term used to describe biological events that take place outside the bodies of living organisms.

FDA

US Food and Drug Administration (FDA) is responsible for protecting the public health by assuring the safety, effectiveness, quality, and security of human and veterinary drugs, vaccines and other biological products, and medical devices.

Gene therapy

Gene therapy is the use of DNA to treat disease by delivering therapeutic DNA into a patient's cells which can be in an *ex vivo* or *in vivo* setting. The most common form of gene therapy involves using DNA that encodes a functional, therapeutic gene to replace a mutated gene. Other forms involve directly correcting a mutation, or using DNA that encodes a therapeutic protein drug to provide treatment.

GxP, GMP, GCP, GLP

GxP is a general term for Good (Anything) Practice. GMP, GCP and GLP are the practices required to conform to guidelines laid down by relevant agencies for manufacturing, clinical and laboratory activities.

Innovate UK

Innovate UK is the UK's innovation agency. Its role is to stimulate innovation, working with business and other partners, in order to accelerate economic growth.

In Vitro

Latin term (for within the glass) refers to the technique of performing a given procedure in a controlled environment outside of a living organism.

In Vivo

Latin term used to describe biological events that take place inside the bodies of living organisms.

IP

Intellectual Property (IP) refers to creative work which can be treated as an asset or physical property. Intellectual property rights fall principally into four main areas; copyright, trademarks, design rights and patents.

Investigational Medicinal Product (IMP)

A pharmaceutical substance being tested in a clinical trial.

Lentiviral vectors

Gene delivery vector based on lentiviruses.

Pre-clinical studies

Pre-clinical studies (also known as non–clinical studies) is the stage of research that takes place before clinical trials can begin during which important feasibility, iterative testing and drug safety data is collected.

r/r paediatric ALL

Relapsed or refractory (r/r) acute lymphoblastic leukaemia (ALL) is a type of cancer in which the bone marrow in children and young adults make too many immature B lymphocytes (a type of white blood cell) that are resistant to treatment.

SPV

Special Purpose Vehicle (SPV) is a subsidiary company with an asset/liability structure and legal status that is created to fulfil specific objectives.

UK Corporate Governance Code (the Code)

The UK Corporate Governance Code is published by the UK Financial Reporting Council and sets out standards of good practice in relationship to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Viral vectors

Are tools commonly based on viruses used by molecular biologists to deliver genetic material into cells.

Definitions of non-GAAP measures

EBITDA

EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation and share based payments) is a non-GAAP measure and is often used as a surrogate for operational Cash flow.

EBIDA

EBIDA is an internal measure used by the Group, defined as EBITDA with the R&D tax credit included.

Gross income

Gross income is the aggregate of Revenue and Other Operating income.

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