Ideally placed

Annual Report and Accounts 2015

OxfordBioMedica

Discover. Realise.

Strategic report

Corporate governance report

Group financial statements

Introducing Oxford BioMedica

Oxford BioMedica is a pioneer of gene and cell therapy with a leading integrated position in lentiviral vector and cell therapy research, development and production. Gene therapy is the treatment of disease by the delivery of therapeutic DNA into a patient's cells. This can be either in vivo or *ex vivo*, the latter encompassing the field of cell therapy where genetic modified cells are put back into the body.

Our vision is being realised, our goal is clear

Gene and cell therapy has the potential to transform medicine providing potentially curative and long term treatment options for a wide range of diseases. We expect several gene therapy products, especially *ex vivo* cell therapy treatments such as CTL-019 that we are involved with in conjunction with Novartis, 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; by exploiting our IP and platform to acquire royalty interests in partners' products.

Our company

Oxford BioMedica has 20 years of experience in the field of gene and cell therapy. Today, we have built a 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 royalty interests in potential products from Novartis, Sanofi, GSK and Immune Design.

Our current potentially curative one shot product pipeline of OXB-102, OXB-201, OXB-202 and OXB-302 addresses neurodegenerative and ocular diseases and a range of cancers, for which there are either no treatments or where therapy remains inadequate.

As the gene and cell therapy sector grows into a multi-billion dollar industry over the next five to ten years, we are well placed to take advantage of the developments in this fast evolving market. Until recently, the field has been full of promise but unpredictable. The sector now benefits from a more sophisticated regulatory environment to facilitate the rapid commercialisation of revolutionary therapies, as well as increased investment. We are ideally placed to benefit from this new environment.

This Annual Report gives an insight into what we have done, how we have done it and why we are ideally placed to make a substantial difference in the field of gene and cell-based medicines, to the benefit of both patients and shareholders alike.

Chairman's statement
Lorenzo Tallarigo

Having joined the Group as the new Chairman of Oxford BioMedica in February 2016, I am pleased to have the opportunity to report on the Group's significant achievements during the past year. The gene and cell therapy sector is continuing to advance at considerable pace and, as one of the pioneers in the field, Oxford BioMedica is well placed to capitalise on this growth and generate significant value across its integrated business. This is what attracted me to Oxford BioMedica.

Focusing our strategy

There have been very significant developments in the sector and at the Group over the past eighteen months and the management team and the Board has recently conducted a review to ensure that our business model and strategy are both clear and robust. Our conclusions from this review are that the Group has, over its 20 year existence, created and is continuing to develop a highly-valuable lentiviral vector gene delivery platform (LentiVector®). The platform is based on our unique combination of patents and know-how, expert and experienced employees and state-of-the-art bioprocessing and laboratory facilities. We are using the LentiVector® platform to develop our own focused portfolio of gene and cell therapy product candidates. We can also partner with other companies to help them develop better gene and cell therapy products more quickly than they could without our LentiVector® platform, in return for which we can obtain short and long-term economic interest in their products. We are already the partner-of-choice for leading companies in the gene and cell therapy sector including Novartis, Sanofi, GSK and Immune Design. We are also in specific discussions with further potential partners. The gene and cell therapy sector is now set to grow rapidly and the LentiVector® platform is our path to creating valuable products for patients and sustainable shareholder value.

During 2015 and early 2016 we also conducted a portfolio review of our in-house product candidates. Taking into consideration a full range of factors such as probability of technical success, time to market, and value to patients we have made the decision to prioritise our portfolio and focus our efforts in clinical development on three product candidates; OXB-102, for the treatment of advanced Parkinson's disease; OXB-202, for the prevention of patients being permanently blinded by recurrent corneal graft rejection; and OXB-302, a novel CAR-T cell approach to targeting solid cancer tumours. During 2015 we made good progress with these product candidates as we completed pre-clinical and toxicological studies with OXB-102 and OXB-202 and started preparing for their clinical studies. In the next 12 months we expect both OXB-102 and OXB-202 to begin Phase I/II clinical studies and we will receive pre-clinical results for OXB-302.

Our LentiVector® delivery technology also meets an important strategic need in the broader gene and cell therapy sector which, having expanded rapidly in recent years, has outgrown available development and bioprocessing resources. By providing partners with access to our expanded world-class facilities, expertise and industry-leading intellectual property, we have the opportunity to generate near and medium-term revenues as well as longer-term value-sharing through royalty payments. Consequently, we have the potential to support the ongoing development of our wholly-owned portfolio and to provide future income based on the success of partners' products. In 2015, we continued to perform strongly in our CTL-019 contract with Novartis and we expanded our work with this industry leader when they entrusted to us a second CAR-T product candidate. In addition, our expanded collaboration and new IP licence with Immune Design further validates the demand from partners to access our capabilities and IP, and we expect to be able to announce further collaborations during the course of 2016. We also made good progress with GSK who during the year exercised their option to two of the targets covered by Oxford BioMedica's IP license.

Financing the strategy

At the end of 2014 and during 2015 Oxford BioMedica embarked on a major capacity expansion programme which the Group financed by raising a $50 million loan facility from Oberland Capital. This expansion programme is now virtually complete and we are in a position to exploit our new state-of-the-art facilities to grow the business by supporting partners' product development and bioprocessing requirements.

During this important expansion phase we are grateful to our shareholders for their support for our strategy and we look forward to their continued support as we transition towards a self-sustaining business. We estimate that we have sufficient cash to last well into the third quarter of 2016, without including any potential inflows from further contracts or licence agreements. We have confidence that we will be able to secure adequate further cash but, as this is not yet committed, these circumstances create a material uncertainty and I draw readers' attention to the going concern statement in the Directors' Report on page 69 and in Note 1 to the Financial Statements on page 81.

Encouraging outlook

After a significant period of development across the wider gene and cell therapy sector, I believe that the field is now truly coming of age, and the *ex vivo* cell therapy sector in particular is beginning to deliver on its promise. With our sector-leading LentiVector® platform, Oxford BioMedica is well placed to capitalise on this growth, and our significant investment in facilities, expertise and intellectual property is advancing us towards our goal of creating value for shareholders.

During 2016, we look forward to progress across all areas of our business. Our in-house pipeline will move forward with our prioritised programmes for Parkinson's disease, corneal graft rejection and oncology; we look forward to continuing our strong performance under our Novartis partnership, contributing to the filing of CTL-019 and progressing work on a second CAR-T product; we will advance our expanded collaboration with Immune Design on LV305; and with an increasing number of companies working in the field, we also anticipate additional opportunities to create value through our integrated business model.

Since joining Oxford BioMedica, I have been greatly impressed by the quality of the team, the level of expertise and world-class facilities, and I believe that our LentiVector® platform gives us a powerful tool to benefit from growth in the sector.

I am proud to chair a Group that is a world-leader in its field, with a clear strategy for success and commitment to achieve its goals. I have no doubt that Oxford BioMedica is in a strong position, and 2016 promises to be a year of important achievements.

Dr. Lorenzo Tallarigo
Chairman

Oxford BioMedica at a glance

An ideally placed gene and cell therapy business

1st

We were the first in the world to administer lentiviral based vector products into the brain and eye

Portfolio

We are developing a portfolio of gene and cell therapy products for treatment of ocular, central nervous system (CNS) and cancer indications

IP

We have extensive lentiviral vector intellectual property (IP) comprising both patents and know-how particularly relating to lentiviral vector production processes

Facilities

We have state of the art laboratories and two lentiviral vector production sites in Oxford, UK

Partnerships

Current contracts and partnerships include Novartis, Sanofi, GSK and Immune Design

Revenue growth

We generate revenues which are growing year on year. We provide lentiviral vector process development and production services to partners; linked to IP licences

Royalty interest

Due to our IP and know-how we have royalty interest in partners' products, including Novartis for CTL-019

231

At 31 December 2015 we employed 231 people

Quality

Robust quality framework for lentiviral vector production

Leader

We have 20 years of experience in lentiviral vector product and process development, and manufacture

We are a pioneer of gene and cell therapy, with leading industry expertise in lentiviral vector and cell therapy research, development and production. We have an integrated platform which we exploit to develop our own products and support our partners' product development.

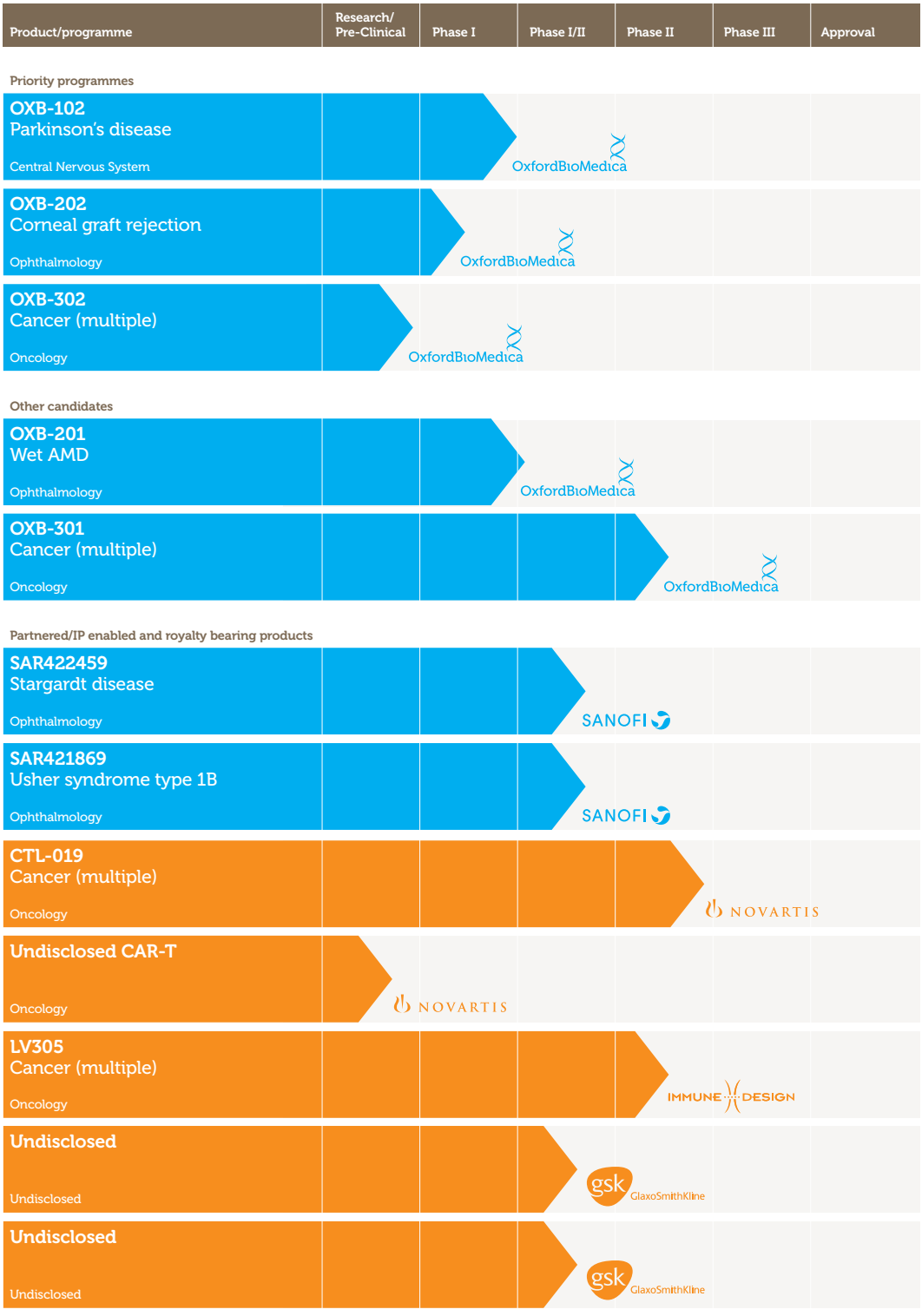
Integrated business model

Our integrated platform generates value through:

We are ideally placed through our integrated business model to build a sustainable biopharmaceutical company for our shareholders through the successful development and commercialisation of breakthrough gene and cell-based medicines; both our own and our partners.

Products

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



IP and exclusivity

Multi-layered IP portfolio – we have a broad and deep range of IP which we are using to create value

Licence up-front receipts and royalty interest in partners' products

— CTL-019 from Novartis
— Second CAR-T Novartis product
— LV305 from Immune Design
— SAR422459 from Sanofi
— SAR421869 from Sanofi
— Two orphan indications from GSK

Gene and cell therapy is at the forefront of medical science and has the potential to transform the treatment of some of the most challenging diseases.

Gene and cell therapies use viral vectors to deliver genetic payloads into patients cells. Cells can be treated both *in vivo* and *ex vivo*. Two viral based vector families are most commonly used:

— Lentiviral vectors which can be used both *in vivo* and *ex vivo*

— Adeno-associated virus (AAV). Vectors based on AAV are most commonly used *in vivo*

Lentiviral based vectors have advantages

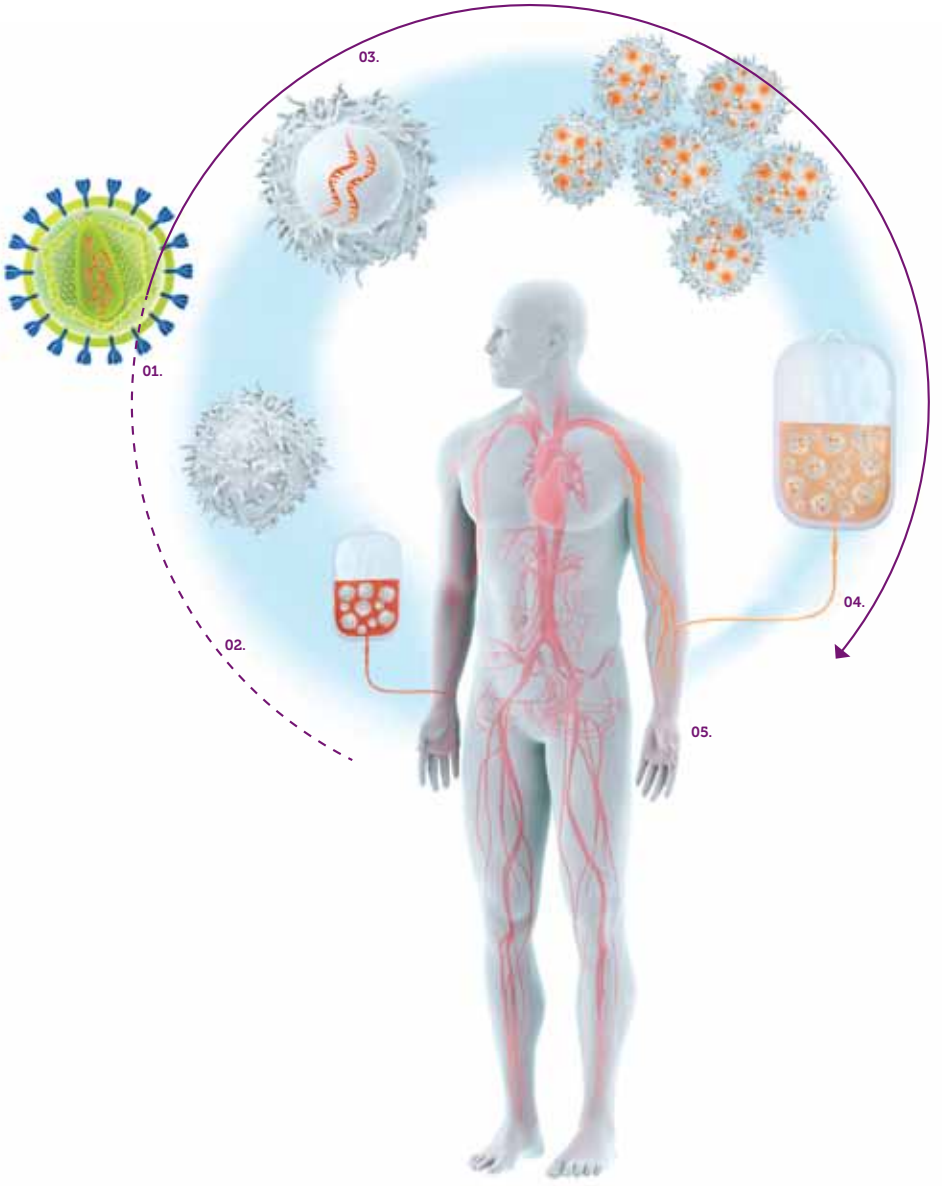
Lentiviral based vectors have advantages over other vector types, particularly those based on AAV, for use in ex vivo and *in vivo* gene therapies. These include:

— Having larger genetic payload capacity means that lentiviral vectors can address certain diseases and genetic disorders which other vector types cannot;

— Being able to integrate into the DNA of target cells, meaning that they can be used with both non-dividing and dividing cells which is important for *ex vivo* cell therapies;

— Potentially longer term expression – as shown by Oxford BioMedica's OXB-101 treatment for Parkinson's disease which has shown improvement in patients for at least three years, and

— Patients do not typically have pre-existing immunity to lentiviral vectors, because very few humans are infected with lentiviruses in comparison to the many who have been infected with adeno associated viruses.



Example of *ex vivo* cell therapy
CTL-019 therapy for cancer (a Novartis product)

01.
The Group produces GMP lentiviral vector encoding CAR targeting CD19 which is expressed on B-cell cancers

02.
T-cells isolated from patients

03.
Lentiviral vector used to transduce expanded T-cells
T-cells harvested from a patient are transduced with the lentiviral vector encoding the anti-CD19 chimeric antigen receptor. The resulting CTL-019 cells are expanded *ex vivo* prior to infusion into the patient.

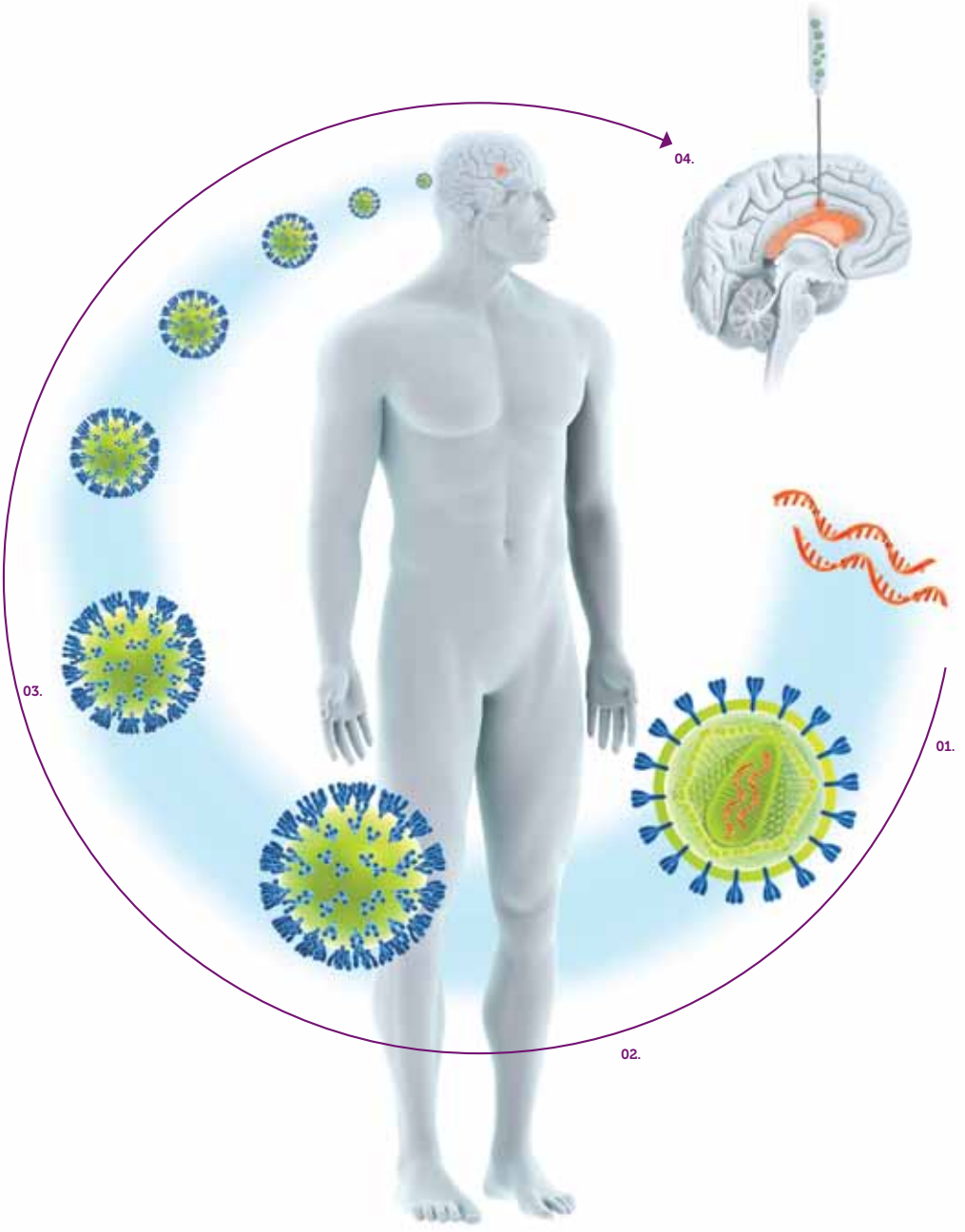
04.
The modified T-cells are infused back into the patient

05.
Once inside the patient, the CTL-019 cells multiply, 'hunt' cancer cells and destroy them
The CTL-019 cells destroy tumour cells expressing CD19 and persist in the body to guard against residual or recurring disease.

Benefits of our LentiVector® platform

Our technology is highly versatile, providing stable gene delivery with up to 100% efficiency. With the potential to achieve permanent therapeutic benefit through gene integration and long-term expression, the platform is applicable for gene therapy and gene silencing across multiple therapeutic areas. lentiviral vector delivery has particular advantages in localised delivery to non-dividing cells, such as neurons in the brain and retinal cells in the eye as well as in dividing cells where permanent modification is required.

Our LentiVector® platform has achieved the longest and broadest clinical experience in the world, with impressive results. We administered our first LentiVector®–based therapy in 2008, and with more than 56 patients treated by us and more by our partners and the products have been well tolerated. Indeed, long term follow up data showed that the improvement in mean unified Parkinson's disease rating scale following a single dose of OXB-101 was maintained in the majority of patients for up to three years. As a long-standing leader in the gene therapy field, our lentiviral manufacture is well established with regulatory-compliant proprietary processes and quality assays.



Example of *in vivo* gene therapy
OXB-102 gene therapy treatment for Parkinson's disease

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-102 three genes need to be delivered to the cells in the brain region that is low in dopamine.

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-101 or /OXB-102 vector is administered to the target tissue
Stereotactic surgery is used to deliver the vector product to the target tissue. The vector enters the neuronal cells and modifies them to create endogenous factories making dopamine, the neurotransmitter lacking in Parkinson's disease.

1,200m²/12,917ft²

Our clean room capacity is expanding into three independent production suites totalling 1,200m²/12,917ft²

Current partnerships

We are currently working with Novartis, Immune Design, Sanofi and other undisclosed companies

Partners

We are capitalising on our facilities and expertise by partnering with companies to support the development and production of their products.

Clean room suites

Our operational clean room capacity is expanding into three independent production suites totalling 1,200m²/12,917ft². We have GMP production processes based on adherent and suspension serum-free cell culture. Current scale is up to 200 litres, with the potential for additional scale up.

Analytical testing

We have a comprehensive range of proprietary assays which are essential for successful lentiviral vector characterisation, quality control, stability testing and preparing chemistry, manufacturing and control (CMC) components of regulatory filings

Cell and vector engineering

We are experts in cell line development including packaging and producer cell lines, and on vector optimisation and production. We are also world leaders in lentiviral based vector design and optimisation.

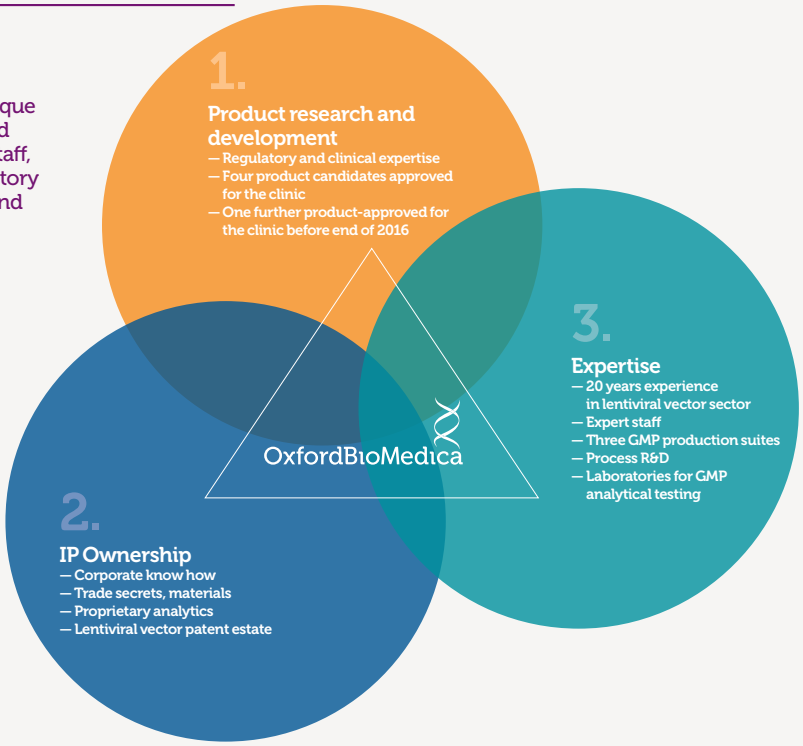
Quality management processes

Successful product development requires robust quality systems and regulatory support. Our quality management processes are highly regarded by our partners and regulators.

Integrated competencies
A unique selling proposition

Our USP

Our USP is based on a unique combination of integrated know-how, R&D, expert staff, bioprocessing and laboratory facilities and regulatory and clinical expertise



We are establishing ourselves as the 'go to' partner for companies working with lentiviral vectors because of our unique combination of competencies.

Know-how

Our know-how relating to lentiviral vector bioprocessing, including proprietary analytics, means that we can create solutions that others cannot. Oxford BioMedica was the first to administer a lentiviral vector *in vivo* to the brain and the eye and to achieve this we invested in purity and concentration techniques which have added to our know-how. This extensive know-how is an important and valuable part of our IP estate and sits alongside our lentiviral vector patent portfolio.

Expert staff

With 20 years of experience in the lentiviral vector field, we have the expert staff and motivated employees that use the know-how and our world class facilities to produce solutions for our partners.

Our expertise includes:

— Cell and vector engineering

— Bioprocessing, including process development

— Proprietary analytical assays

— Quality management processes

Production & laboratory facilities

Oxford BioMedica has invested a significant amount of capital over the past 18 months to create world class facilities, both in bioprocessing and in laboratories. This relates to both the size and quality of our facilities and our specialised equipment.

Our facilities include:

— GMP-qualified clean room suites for lentiviral vector bioprocessing using both adherent and suspension technology

— Laboratories for GMP analytical testing and development activities

Regulatory and clinical experience

Our experience with both the US FDA and European regulators in achieving clinical trial approval for four lentiviral vector product candidates, means we are ideally placed to advance products to regulatory approval.

We have significantly expanded and upgraded our process development, analytics and quality laboratories at our wholly-owned Windrush Court facility

This combined with the investment made at our Harrow House and Yarton bioprocessing facilities means we now have the capacity to address further significant partnering demand for access to our process development and bioprocessing expert capabilities

Throughout 2015 our existing Harrow House GMP1 clean room facility ran at full capacity and, to ensure availability for our in-house and partners' programmes

Our new Yarnton facility has now completed validation and been approved by the UK's Medicines and Healthcare products Regulatory Agency (MHRA) for cGMP production, and this has now commenced

Gene and cell therapy sector
Set for transformational growth

The gene and cell therapy field is set to grow into a multi-billion dollar sector over the next five to ten years as products in late stage development reach the market. We expect several products within the sector, especially *ex vivo* cell therapies, to be launched within the next few years.

Ex vivo and *in vivo* gene therapies

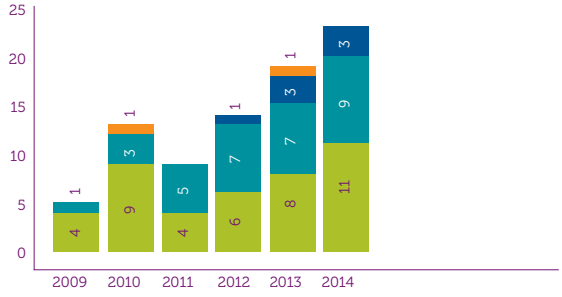
Ex vivo therapies require integrating vectors and lentiviral vectors are the preferred choice for much current product development. There are around 105 *ex vivo* lentiviral vector clinical studies underway as described in the Journal of Gene Medicine. It is expected that several ex vivo products in late stage clinical development will reach the market within the next few years. In comparison there are nine *in vivo* lentiviral vector clinical studies ongoing, of which seven trials have been initiated by Oxford BioMedica and our partner Sanofi testing four separate products.

105

Ex vivo lentiviral vector clinical studies

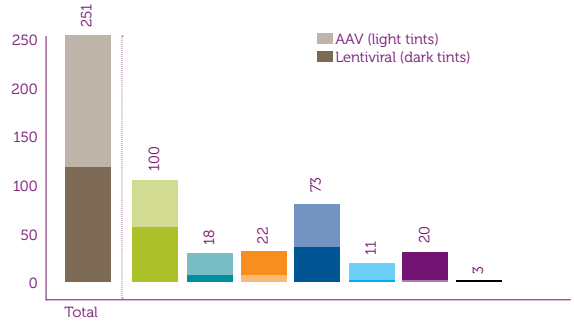
9

In vivo lentiviral vector clinical studies



Initiated lentivirus clinical trials by year and phase

Source: Journal of Gene Medicine, July 2015



Gene therapy clinical trials with AAV or Lentiviral vectors

Source: Journal of Gene Medicine, July 2015

Multiple players in the market

There are multiple players active in the ex vivo cell therapy space, particularly in the immune oncology sector, with large pharmaceutical and biotech companies developing CAR-T, TCR, NK cells and TIL based therapies. Several other companies are also looking at modified stem cell *ex vivo* treatments. Many of these ex vivo therapies require lentiviral vector development, bioprocessing and IP which Oxford BioMedica is well placed to provide.

Lentiviral vectors have advantages

Lentiviral vectors have important advantages over other vector types, particularly adeno associated viruses (AAV), for use in *ex vivo* and *in vivo* gene therapies. These include:

— Having larger genetic payload capacity means that lentiviral vectors can address certain diseases and genetic disorders which other vector types cannot;

— Ability to integrate into the DNA of target cells, meaning that they can be used with both non-dividing and dividing cells which is critical for *ex vivo* cell therapies;

— Potentially longer term expression – as shown by Oxford BioMedica's OXB-101 treatment for Parkinson's disease which has shown improvement in patients for at least three years, and

— Patients do not typically have pre-existing immunity to lentiviral vectors, because very few humans are infected with lentiviruses in comparison to the many who have been infected with adeno associated viruses.

Regulatory environment is changing

The regulatory environment is changing, enabling advanced life changing therapeutics to progress more quickly through the regulatory system. In Europe the adaptive licensing approach and the recent launch of PRIME will make a significant difference to the speed at which these advanced products will reach the market. In the United States breakthrough status has created the same success as in Japan, which has significantly changed its regulatory environment in order to bring advanced therapeutics to the Japanese market more quickly.

These changes in the gene and cell therapy sector are highly favourable for Oxford BioMedica, and play to our unique selling points by providing potential product opportunities that can we can help accelerate through development to commercialisation and thereby generate significant near and medium-term revenues.

As outlined earlier, the environment for gene and cell therapy has changed significantly in the past few years, and our strategy and objectives have evolved as a result. Our strategy and 2016 objectives are summarised on pages 14 to 15. The table below shows how we performed against the objectives set out in the 2014 Annual Report.

Objective	
Scientific excellence – the best technology	Our strategy is to ensure we have access to the leading gene therapy and cell therapy technologies, so our products have the highest possible chance of success and we remain attractive to development and commercialisation partners.
Objective **Balanced portfolio – risk-reward**	We seek to maximize the returns for our shareholders, while delivering medical advances for patients. This will necessitate having a balanced portfolio in terms of the risk-reward and stage of development of our development projects.
Objective **Balanced model – financially robust**	We have tangible ambitions of supporting our in-house R&D programmes from revenues generated from out-licensing intellectual property and providing bioprocessing and development expertise to strategic partners.
Objective **Ability to deliver our own products and deliver for partners – capability and capacity**	To extract maximum economic value from our technology, we're building capability to deliver our products to market in the most cost-efficient manner. This means we must collaborate with and out-license some of our products with partners who have the in-house capability and financial resources to complete their development and subsequent commercialisation. In the future, we may be better placed to deliver our own products to market as and when opportunities are presented.
Objective **Operational excellence – the best people deliver**	Having the best science alone is not enough. We must also have the best execution. And this means the best people, the best culture and the best business process. At Oxford BioMedica, we are always challenging ourselves to improve in every way we can.

2015 targets

- Publish and present on our products
- Invest in LentiVector® platform technology
- Invest in production processes
- Identify/obtain new IP

2015 delivery

- Three year follow-up data for OXB-101 reported at AANS
- OXB-201 Phase 1 data reported as a "Hot Topic" at ARVO
- TRiP patent application published (June 2015)
- Developed bioreactor/suspension process for lentviral based vector bioprocessing
- Significant know-how generated in relation to all aspects of vector production
- Identified OXB-302 product candidate; two constructs generated at research grade and tested in *in vivo* models

2015 targets

- Results from the Phase I clinical trial of OXB-201 to be completed and published
- Identify future development pathway for OXB-201
- Preliminary results of OXB-301 Phase II trials expected
- Planning for the Phase I/II study of OXB-202 at the Moorfields Eye Hospital, London
- Planning for the Phase I/II study for OXB-102
- Efficacy proof-of-concept study for Glaucoma-GT close to completion
- Pre-clinical work for OXB-103 in selection of candidate close to completion
- Progress research projects into pre-clinical programmes
- Identify lead OXB-302 construct to move into pre-clinical studies

2015 delivery

- Three year data from OXB-101 presented at the AANS conference in May 2015 and OXB-102 on track for clinical site initiation mid 2016
- OXB-202 Phase I/II study preparations continued; IND and/or CTA filing planned for 2016
- OXB-301; recruitment for mesothelioma and colorectal studies completed, data awaited. Ovarian and prostate investigator initiated trials (IIT) ongoing
- OXB-302 pre-clinical programme demonstrated efficacy in pre-clinical models
- OXB-201 clinical trial met primary endpoints and showed long term expression of gene product.
- OXB-201 development now lower priority than OXB-102, OXB-202, OXB-302
- Glaucoma-GT and OXB-103 potential partnering opportunities

2015 targets

- Continuously evaluate funding requirements
- Win further contracts for process development and bioprocessing
- Secure future IP licences and/or product licences
- Source further grants
- Consider which programmes, if any, should be partnered at current stage

2015 delivery

- Strong growth in partnering revenues
- Major capacity expansion completed between October 2014 and March 2016 which facilitates further revenue growth
- Capacity expansion funded by non-dilutive loan facility
- New business – second Novartis product and expanded collaboration with Immune Design
- GSK exercised option for licence for two orphan products
- February 2016 placing raised £7.6 million net

2015 targets

- Ensure the capability and capacity is in place to deliver on our commitments
- Progress AMSCI closer to completion; expansion of additional capacity at our current facility and at an additional location
- Yarnton, site to be completed

2015 delivery

- Major capacity expansion completed between October 2014 and March 2016 including Yarnton site
- Continued investment in lentiviral vector technology
- Continuing to evaluate and expand our *ex vivo* gene therapy product opportunities; identified OXB-302 product candidate
- Successful implementation and MHRA approval of Yarnton

2015 targets

- Renovate and upgrade laboratories to Windrush Court
- Continue to develop internal processes and reward structures as necessary

2015 delivery

- Headcount increased from 134 to 231 in 2015
- HR policies and procedures upgraded to cope with level of recruitment and to attract and retain employees
- GMP1 facility run at full capacity throughout 2015
- Windrush Court laboratory expansion handed over by contractor in March 2016

Given the rapid evolution of the gene and cell therapy sector environment over the past eighteen to twenty four months, the Board conducted a strategic review at the beginning of 2016.

The key conclusions from the strategic review were:

— Oxford BioMedica has built, over 20 years, a world-leading lentiviral vector delivery platform (LentiVector®)

— The strengths of our integrated platform lie in our unique combination of intellectual property, expert staff, and state-of-the-art facilities and equipment

— Our integrated platform will create value for shareholders through proprietary products and through an interest in partners' products

Our core objectives for 2016 to support the strategy in order to build value for our key stakeholders are set out opposite.

1

2

3

4

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.

Priorities set for 2016

- Progress OXB-102 into the clinic in 2016
- File a CTA for OXB-202
- Prepare a development strategy for OXB-302 based on pre-clinical data
- Find ways to progress OXB-201 and OXB-301 requiring lower resources from the Group

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.

Priorities set for 2016

- Secure additional development and bioprocessing partnerships with associated IP licences
- Deliver process development projects and bioprocessing for partners in line with contractual obligations
- Complete capacity expansion programme by securing approval for GMP2 clean room facility and bringing new laboratory facilities into full use
- Seek to acquire cell processing competence either through in-licensing or acquisition

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.

Priorities set for 2016

- Continue to attract and retain high calibre employees
- Ensure excellent Quality management systems/ processes
- Implement new ERP platform

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.

Priorities set for 2016

- Broaden shareholder base (internationalise)
- Ensure Group is well-funded

Chief Executive's Q&A
John Dawson

The past year has been an important period of investment and growth for Oxford BioMedica, building on the significant progress we made in 2014. Operationally, we have continued to make strong advances in each part of our integrated business, as we execute our strategy to build a world-class, self-sustaining gene and cell therapy group. In the past eighteen months our business has evolved significantly. We have continued to make good progress with our in-house pipeline and licensing of our intellectual property, and our bioprocessing work with partners is now well established. Throughout this time we have received strong support from shareholders as we invest and build a valuable business. As a result, I am pleased to have this opportunity to answer a number of questions commonly asked by investors.

Q What are the key outcomes from the strategic review?

A Our conclusions were that:

- We have, over the years, developed an unrivalled LentiVector® platform for the delivery of genetic material using lentiviral vectors;
- Our unique platform is based on our combination of intellectual property (particularly know-how), our expert staff and our state-of-the-art facilities; and
- We will deliver value to shareholders by using our platform to develop our own proprietary gene and cell therapy products and to support our partners' product programmes in return for a long-term economic interest.

Q Which is the most important part of your business?

A The foundation of our business is our integrated gene delivery LentiVector® platform, which we leverage to develop novel products for ourselves and to support our strategic partners. Our partnering work is important because its revenue generating potential can support our in-house development activity. During 2015, we enjoyed significant revenue growth from partnering in process development and bioprocessing, particularly from our contract with Novartis on CTL-019 and we expect this growth to continue. In the medium-term, we look forward to potential milestones and royalties on product sales from our partners and IP licensees, which we recently expanded to include Immune Design. In the longer-term, we envisage driving our in-house development programmes to market creating significant value, and, during 2015, we continued to advance our portfolio, reporting encouraging clinical results for OXB-101, OXB-201 and OXB-301. As a result, we expect that the relative contribution from our work with partners is likely to change over time, as it forms a decreasing proportion of our business, and our in-house products realise their potential to provide the greatest value.

Q How will you complete the development and commercialisation of your pipeline?

A The world-class data generated by our development programmes provide us with a range of options to create value. In 2014, under an existing partnership we licensed two promising ophthalmology orphan drug programmes to Sanofi, and we completed the technical transfer of the products in 2015. This provides us with the potential to receive future development milestone and royalty payments without the financial and development risk associated with late-stage clinical trial programmes. In 2016, we look forward to receiving clinical data from two OXB-301 studies, which have the potential to provide further out-licensing opportunities. Over time, as we continue to grow our revenues, we anticipate the opportunity to partner our development programmes at a later stage, thereby generating enhanced terms, and with the potential to retain commercialisation rights in key countries, such as in Europe, where we could capture the full value of product sales.

Q Are you building a contract manufacturing business?

A In short, no. While we work with partners providing scale-up and bioprocessing expertise in world-class facilities, our integrated strategy is to leverage this work to generate long-term revenues. By providing access to our unique capabilities that includes access to our industry-leading IP and innovative technologies, as well as cutting-edge process development, scale-up and bioprocessing capabilities, we are able to negotiate agreements that reflect the value we bring to partners' products. This can include upfront license fees and near-term payments for access to our expertise and facilities, as well as longer-term milestones and royalties on future sales. This approach was first validated in 2014 with our $90 million agreement with Novartis focusing on CTL-019, and recently we built on this foundation, expanding our Novartis partnership to include a second CAR-T product and signing an IP licence and new partnering agreement with Immune Design.

Q When will the business become self-sustaining?

A We are making good progress in increasing our gross income, with strong growth of 28% to £18.8 million in 2015 and we expect continued good growth in 2016 as our expanded capacity comes on line. Having invested significantly during 2014 and 2015 in building both our facilities and our headcount, our cost base should stabilise during 2016. Expenditure on product development in the next two to three years will depend on the interim results we observe as we move through the OXB-102 and OXB-202 clinical studies.

Q What is the outlook for the business?

A During the past two years, we have transformed Oxford BioMedica into a Group that is ideally placed to capitalise on the rapid progress that is ongoing across the gene and cell therapy sector. During 2016, we will advance our product pipeline programmes and complete our capacity expansion. I am confident that we will secure new partnering and IP deals during the year, and as a result, I believe the outlook for the business is very positive and I look forward to further success in 2016.

John Dawson
Chief Executive Officer

Operational highlights (including activities since period end)

Our investment proposition continues to strengthen

Preparation for OXB-102 Phase I/II study

— Study protocol filed with MHRA

— On track to start recruitment mid-2016 initially targeting late stage patients

Preparation for OXB-202 Phase I/II study

— Preclinical work completed

— CTA filing planned for 2016

Strong progress from LentiVector® platform

— OXB-101 three year follow up data supports long-term expression

— OXB-201 Phase I results show safety, tolerability and dose responsive protein expression, sustained long-term

— OXB-302 pre-clinical results demonstrate efficacy in an industry standard tumour challenge model using a combination of LentiVector® and 5T4 platforms

— Novartis second product contract follows strong performance on CTL-019

Advancement with OXB-301 Phase I/II studies

— Phase I/II mesothelioma study completed recruitment and data analysis underway

— Investigators presented encouraging interim data from colorectal cancer study at Cancer Vaccine Institute's 2nd International Symposium

Lentiviral vector production volumes increased by 71%

Investment in people and facilities/plant

— New Yarnton clean room facility completed and approved for clinical production

— Construction of Harrow House expansion and new Windrush Court laboratories completed in Q1 2016

— Facilities are now ready for anticipated increase in work activity with workforce of over 230

Partnerships broadened

— Expansion of relationship with a second CAR-T product from Novartis

— Licence and expanded collaboration with ImmuneDesign

— GSK exercised options to acquire IP licences for two products for rare diseases

Key financial indicators

+28%

Gross income
Gross income grew by 28% from £14.7 million in 2014 to £18.8 million in 2015

+72%

Bioprocessing and process development
Bioprocessing and process development income grew by 72% in 2015 over 2014 to £12.4 million (2014: £7.2 million)

£14.9m

Cash used in operations
Cash used in operations, before capital expenditure £14.9 million (2014: £7.4 million)

£16.7m

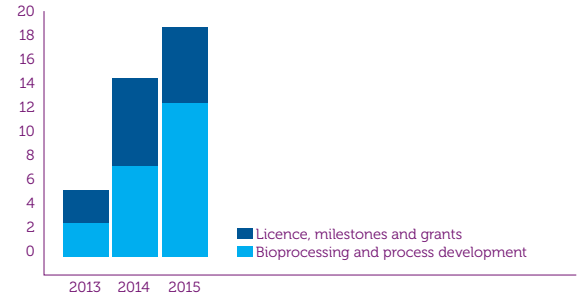
Capital expenditure
Capital expenditure of £16.7 million in 2015 (£5.6 million in 2014) to expand and improve bioprocessing and laboratory facilities

£9.3m

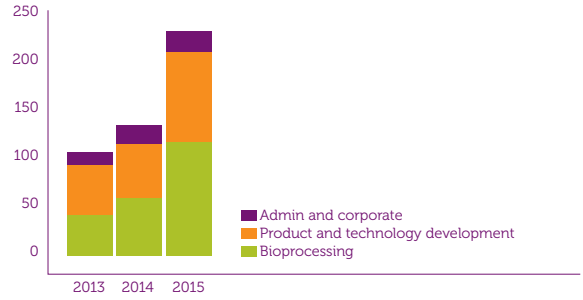
Cash balance
£9.3 million cash balance at end 2015 (£14.2 million at the start of the year)

231

Headcount
231 employees at 31 December 2015 (134 at 31 December 2014)



Gross income
£m



Employee numbers

Gene and cell therapy is becoming firmly established as an important sector of the pharmaceutical industry. Oxford BioMedica, with our unrivalled expertise in lentiviral vectors, is ideally placed to capture significant value in this rapidly expanding field by leveraging our world-leading proprietary LentiVector® platform to develop first in class treatments. During 2015, we made good progress across our business, with a year of significant investment building on the transformative advances we made in 2014.

In the first few months of 2016, in the light of the rapid evolution of both our business and the wider sector, we conducted a review of our business model and strategy. We have concluded that there is a compelling logic for continuing to build an integrated company with a mix of in-house product development and strategic partnering. Both of these are underpinned by our investment in technology, intellectual property, facilities and employees. By providing partners with access to our cutting edge expertise we have the opportunity to generate revenues over the short and medium term. IP licence deals can also generate revenues from up-front fees but more importantly medium and long term financial interest through royalties from our partners' products. Our in-house development of unique products can generate substantial value in the long term.

We also reviewed our priorities within our in-house product candidate portfolio and concluded that we should prioritise efforts and resources on OXB-102, OXB-202 and OXB-302 which we see as having the most attractive risk/reward profile. We will continue to develop these until their next key inflection points at which point we will decide whether to continue development in-house or to partner. For lower priority candidates we will explore all possible options to progress these but with lower resources committed by the Group.

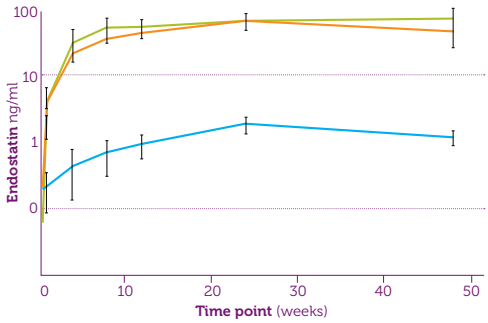
Advancing our in-house products

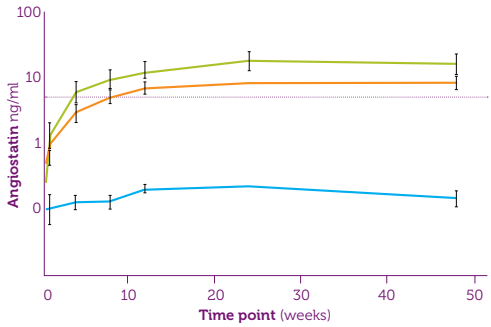
During 2015 we presented very encouraging clinical results from OXB-101 and OXB-201 which provide important validation for our lentiviral vector platform. The results from the OXB-201 phase I study were presented in May 2015 showing safety and tolerability, dose-responsive expression of proteins from the target cells, reduction in vascular leakage and, importantly, no reduction in expression levels a year after dosing and thus providing support for the effectiveness of our LentiVector® platform. In May 2015 we also presented data from the OXB-101 long-term follow up study showing that the improvements seen in patients during the phase I/II study had been sustained in the majority of patients for up to three years following treatment with a single dose. We are continuing to follow patients from both of these studies and expect soon to be able to present further evidence of long-lasting effect. We believe these results are unprecedented with any vector system and are an important validation of our world-leading gene delivery platform.

OXB-101 / OXB-102 (enhanced OXB-101 construct)

In May 2015, Professor Stéphane Palfi presented long-term follow-up data from the phase I/II study of OXB-101, our first lentiviral vector based product candidate for advanced Parkinson's disease. As previously reported, the initial study results showed that the single dose administered direct to the striatum in the brain met the primary safety and tolerability endpoint, and at both six and 12 months patients experienced a significant improvement in motor function as measured by the unified Parkinson's disease rating scale part III while off medication. Impressive long-term follow-up data showed that this improvement was maintained in the majority of patients for up to three years, despite the neurodegenerative progressive nature of the disease. We are continuing to follow these patients, and expect to be able to report shortly in this half of 2016 that the four-year data is highly encouraging with ongoing improvements in the majority of patients, indicating ongoing gene expression despite no further treatment.

These encouraging results, which demonstrate long-term gene expression and an excellent safety profile, form the foundations for the ongoing development of OXB-102, an enhanced OXB-101 construct that has demonstrated up to five times greater potency in preclinical testing. During 2015, the OXB-102 development programme made good progress. The production of clinical trial material is now complete, and we expect to initiate clinical sites for a phase I/II study in the middle of 2016. OXB-102 will initially be targeted at late-stage patients as an alternative to deep brain stimulation but over time it could be used at earlier stages.





Cohort 1
Cohort 2
Cohort 3+4

OXB-201 Clinical expression data: ACT analysis Dose-dependent Long-term clinical expression

Significant levels of transgene expression that is persistent out to one year. There is a clear dose response between cohorts of patients and the expression is relatively consistent within the cohort

Source: Lauer et al, World of Ophthalmology Congress of the International Council of Ophthalmology, February 2016

OXB-201

The results of the OXB-201 Phase I study were announced as a "Hot Topic" at the Association for Research in Vision and Ophthalmology (ARVO) conference on 4 May 2015. The 21 patient study met the primary endpoints of safety and tolerability. Patients also showed signs of clinical benefit, with visual acuity stabilisation and a reduction in vascular leakage consistent with the mechanism of endostatin and angiostatin function in vivo in this severe wet AMD population. The study also demonstrated stable dose-dependent gene expression over 12 months which is important supporting evidence for the strength of our LentiVector® platform more broadly.

An outcome of our portfolio review is that we have decided to give OXB-201 a lower priority than OXB-102, OXB-202 and OXB-302 which we believe offer a better risk/reward balance. We will continue to explore ways of progresssing OXB-201 which could include partnering or out-licensing.

OXB-202

OXB-202 is a lentiviral vector based treatment designed to prevent corneal graft rejection. The product is currently nearing completion of its pre-clinical and non-clinical development programme, and we are planning to initiate a phase I/II clinical study at the Moorfields Eye hospital at the end of 2016 or early 2017. Cornea grafts are one of the most successful tissue transplants but, over time, a significant number of grafts are rejected due to corneal neovascularisation. OXB-202 is designed to genetically modify human donor corneas to secrete two anti-angiogenesis proteins, endostatin and angiostatin, to inhibit neovascularisation and prevent rejection.

OXB-301

OXB-301 is a cancer vaccine currently undergoing four investigator sponsored phase I/II and phase II clinical trials in mesothelioma, inoperable metastatic colorectal cancer, ovarian cancer and early prostate cancer. The patients are selected using a biomarker, and the product utilises a 5T4 tumour associated antigen-encoding gene delivered by a poxvirus vector to stimulate the immune system to destroy cancerous cells expressing the antigen.

In May 2015, investigators presented encouraging interim data from the colorectal cancer study at The Cancer Vaccine Institute's Second International Symposium on Immunotherapy. The mesothelioma study completed recruitment during 2015, and the data analysis is underway. Results from these two studies are expected during 2016.

Similar to OXB-201, we have also given OXB-301 a lower priority than OXB-102, OXB-202 and OXB-302 but will continue to explore ways to get value from this product.

Strategic partnering leverages our leadership position in lentiviral vector intellectual property and our world-class expertise in process development, scale-up and bioprocessing

By applying our extensive IP, including know-how, to partners' products we can generate significant value for both parties, providing near-term revenues and future royalties for Oxford BioMedica

OXB-302

OXB-302 is a novel oncology product that combines our proprietary lentiviral vector and 5T4 technology platforms. This cell therapy uses our LentiVector® system to engineer harvested T-cells to express an antibody against the 5T4 antigen, which is expressed on cancer cells in many common solid tumours. These T-cells are then infused, and subsequently recognise the 5T4 tumour antigen and initiate cell killing mechanisms. During pre-clinical testing the product has demonstrated efficacy in an industry standard model. If successful, this could open up the possibility of using CAR-T cells to treat solid tumours.

Other product candidates

As part of our strategy we intend to focus on products that have strong pre-clinical proof-of-concept. Currently, OXB-103 and Glaucoma-GT have not reached this stage, and consequently will not be progressed into our priority pipeline.

Progressing our out-licensed products

SAR422459/SAR421869 with Sanofi

In 2014, we announced that Sanofi had taken exclusive licenses to SAR422459 and SAR421869 for the treatment of Stargardt disease and Usher Syndrome type 1B respectively. As a result, Sanofi has taken over development and commercialisation activities, and we will receive milestone payments and royalties on future sales. Both lentiviral vector based products are currently in phase I/II studies, and during 2015 we completed the technology transfer for clinical trial material production to Sanofi, which now controls the development of these two promising treatments. We continue to support Sanofi by providing production advice and clinical analysis of patients' samples following treatment.

Progressing our strategic partnering

In 2014, we identified a strategic opportunity to provide partners with access to our world-leading gene delivery platform to develop their gene and cell therapy products. This strategic partnering leverages our leadership position in lentiviral vector intellectual property and our world-class expertise in process development, scale-up and bioprocessing. By applying our extensive IP, including know-how, to partners' products we can generate significant value for both parties, providing near-term revenues and future royalties for Oxford BioMedica. We achieved our first major success in 2014 with our Novartis partnership, supporting the development and manufacture of CTL-019. Building on this foundation, we have expanded our capabilities significantly during 2015.

Capacity expansion

Throughout 2015 our existing Harrow House GMP1 clean room facility ran at full capacity and, to ensure availability for our in-house and partners' programmes, we made good progress expanding our facilities. As a result, we have now established a second facility (GMP4) at Yarnton, Oxford and recently completed a second clean room (GMP2) in Harrow House, which is working towards MHRA licensure in 2016. Our new Yarnton facility has now completed validation and been approved by the UK's Medicines and Healthcare products Regulatory Agency (MHRA) for cGMP production, and this has now commenced. As a result, we now have dual sourcing, strengthening the robustness of our supply chain, and our cGMP clean room capacity has more than doubled to 950m^2. We are expanding this capacity further, and with the recent completion of GMP2 will have three independent production suites totalling 1,200m^2. In addition, we have significantly expanded and upgraded our process development, analytics and quality laboratories at our wholly-owned Windrush Court facility, which is adjacent to our Harrow House bioprocessing facility, and we anticipate completing our relocation to these new laboratories in the next six months. This significant growth in our capabilities is the result of approximately £19 million of investment between October 2014 and December 2015, which we anticipate will reach a final total of £26 million by the end of H1 2016. Oxford BioMedica now has the facilities to address further significant partnering demand for access to our process development and bioprocessing expert capabilities.

Novartis CTL-019 partnership

Throughout 2015, we made good progress in our partnership with Novartis, with much of the capacity in our existing GMP1 facility devoted to CTL-019 production. CTL-019, which was awarded breakthrough therapy designation by the FDA in 2014, is a lentiviral vector based chimeric antigen receptor (CAR) T-cell therapy for the treatment of relapsed / refractory acute lymphoblastic leukaemia (r/r ALL). During 2015, the product made significant progress, with Novartis announcing highly positive data in paediatric r/r ALL patients, with 93% achieving complete remission. In October 2015, Novartis confirmed that the marketing application for CTL-019 in r/r ALL is on track for submission in late 2016 or early 2017, and as a key partner Oxford BioMedica will support the CMC components of the filing. In addition, Novartis has announced encouraging new data showing the potential of CTL-019 to treat certain types of hard-to-treat Non-Hodgkin lymphoma.

Under the terms of our partnering contract with Novartis, we have the potential to receive payments of up to $90 million over three years for process development, production and intellectual property licensing, plus royalties on future sales of CTL-019 and other CAR-T products.

Novartis CAR-T partnership

Based on our strong performance on CTL-019, Novartis has recently extended our partnership to include a second CAR-T product. Under this further agreement, we will support the Novartis programme with process development, scale-up and production, mirroring our activities on CTL-019. This new partnership demonstrates Novartis' faith in our LentiVector® platform, and work on this new Novartis product is now underway.

Immune Design collaboration

We have been working with Immune Design over the past few years, mainly in developing analytical assays for the company's LV305 programmes. As further validation of our unique gene delivery platform, we have recently signed a licence agreement with Immune Design for access to our lentiviral vector intellectual property, and an expanded collaboration contract.

Further collaborations

The rapidly growing gene and cell therapy sector, much of which requires lentiviral vectors, has created a demand for expertise that Oxford BioMedica has built over many years. Our investment in expanding our bioprocessing and laboratory capacity means that we now have the opportunity to work with a wide range of partners. Our successful work with Novartis has enhanced our credibility in the sector and we are in discussions with a number of potential partners working in a variety of cell therapy areas to our access to world-class platform.

In addition to our ongoing work with Novartis, Sanofi and Immune Design, we also currently have two further undisclosed collaborations with whom we are carrying out feasibility studies and process development.

Leveraging our industry leading intellectual property

As an original pioneer of gene and cell therapy, we have built a dominant position in lentiviral vector intellectual property, with our LentiVector® platform protected by over 100 granted and pending patents. These provide comprehensive coverage of gene-based delivery technologies and their therapeutic application, providing us and our partners with robust protection. This is complemented by our extensive world-class know-how associated with process development, scale-up and bioprocessing, covering the route to commercialisation. During 2015, we continued to advance our intellectual property portfolio, including the publishing of our PCT application for the TRiP system, which further increases specific vector yields and particle purity.

Our investment in expanding our bioprocessing and laboratory capacity means that we now have the opportunity to work with a wide range of partners

100

Granted and pending patents

As an original pioneer of gene and cell therapy, we have built a dominant position in lentiviral vector intellectual property, with our LentiVector® platform protected by over 100 granted and pending patents

GSK and Immune Design licensing agreements

Leveraging our extensive intellectual property through partner licensing has the potential to generate near-term revenues through upfront fees, with milestone payments and royalties on future product sales in the longer term. In addition, granting partners access to our know-how can extend our intellectual property offering beyond the normal patent lifespan.

During 2015, we made good progress, and in October GlaxoSmithKline (GSK) exercised an option for a non-exclusive license to our LentiVector® technology for use in two rare orphan diseases. This follows an initial option agreement signed in December 2013 covering six orphan indications. In addition, we have recently entered a non-exclusive licensing agreement with Seattle-based Immune Design Corp for use of our proprietary lentiviral vector platform in *in vivo* treatment of cancer.

As a result, we have now granted commercial licenses for our lentiviral vector intellectual property to Novartis, Sanofi, GSK and Immune Design.

Strengthening our Board and operational capabilities

The past 12 months have been a period of significant growth for the Group. In February 2016 we strengthened our Board, welcoming new Chairman Dr Lorenzo Tallarigo. He brings significant international and commercial experience to Oxford BioMedica having held a number of senior roles in the industry. Until 2014, Dr Tallarigo was Chairman of Intercept Pharmaceuticals (NASDAQ: ICPT) and Chief Executive of Genextra, prior to which he was President of International Operations at Eli Lilly.

We are also delighted to have announced on 26 April 2016 that Mr Stuart Henderson is joining the board as a non-Executive Director and Chair of the Audit Committee with effect from 1 June 2016. Mr Henderson was Head of European Healthcare and Life Sciences at Deloitte and was previously Head of Emerging Biotechnology at Arthur Andersen. He has extensive experience in audit and transaction support in life sciences.

During 2015, we also strengthened our teams to support our rapidly expanding operations. As a result, we have recruited an additional 97 staff, expanding our workforce by over 70% compared with the end of 2014. In addition, we completed the move of our offices to our Windrush Court facilities in Cowley, Oxford which we acquired in 2014. We have also upgraded and renovated the laboratories at Windrush Court, and have now started relocating staff from our Medawar Centre facility. We plan to complete the transition to Windrush Court by the end of September. We expect that once complete, the consolidation of the bulk of our activities at one location will further increase the efficiency and operational advantages we have achieved to date.

Encouraging outlook

During the past year Oxford BioMedica, and the wider gene and cell therapy sector, has continued to make significant progress, demonstrating the major potential the field offers for patients, physicians and shareholders. We expect that in 2016 this trend will continue, and we plan to advance our integrated business through a number of inflection points.

We are working hard to advance OXB-102 and OXB-202 into clinical development in the coming year and complete the OXB-302 pre-clinical programme by the end of 2016. We also await follow-up data from patients who received OXB-101 four years previously, as well as results from OXB-301 oncology studies, following an encouraging interim analysis presented in 2015 in colorectal cancer.

In addition, we expect to complete our capacity expansion in the first half of the year, which will ideally position us to capture further value through strategic partnering, as well as supporting the development of our in-house pipeline. During 2016, we plan to continue our important partnership with Novartis on CTL-019 supporting the product filing, and progressing our work on the second CAR-T therapy. We also intend to provide access to our world-class IP and process development and bioprocessing capabilities to an expanding number of players in the gene and cell therapy sector.

Overall, we expect that 2016 will be year of significant progress for the Group as we strengthen our position as a leader in the increasingly exciting field of gene and cell therapy.

John Dawson
Chief Executive Officer

Financial review
Tim Watts

The period since the signing of the contracts with Novartis in October 2014, and 2015 in particular, has seen a transformation of Oxford BioMedica.

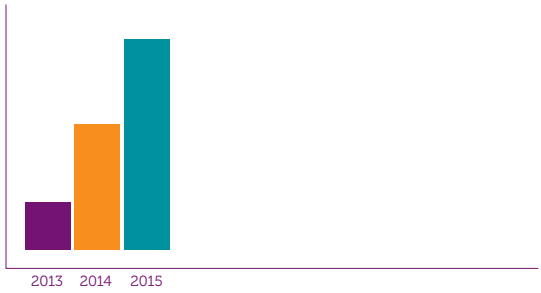
2015 has been a year of significant progress for Oxford BioMedica

As described in the Strategic Report, we have continued to make steady progress with the development of our in-house pipeline of gene and cell therapy products with Phase I/II clinical studies expected to start for OXB-102 in mid-2016 and for OXB-202 by the end of 2016/early 2017. In the past 15 months we have also invested significantly in our LentiVector® platform and partnering capabilities. Our commitments to Novartis have required us to increase our capacity for viral vector bioprocessing and the associated analytical testing, and also to expand our process development capabilities. We have seen this as a unique opportunity to develop our capabilities to partner with the increasing number of companies working with lentiviral vectors, particularly in the *ex vivo* cell therapy arena. We have therefore brought into use a completely new bioprocessing clean room facility at Yarnton ("GMP4"), near Oxford; are nearing completion of the expansion of our existing Harrow House site, creating a new "GMP2" clean room and Quality Control (QC) laboratory to add to the existing "GMP1" clean room; and also nearing completion of the laboratories in the Windrush Court complex we acquired in October 2014. During 2015, in parallel, we have been recruiting the staff that we will need to operate the new facilities and support the increased activity levels. At the same time, the original GMP1 clean room in Harrow House has been operated at full capacity throughout the period, except for planned maintenance shut down periods, producing batches mainly for Novartis and for our own needs.

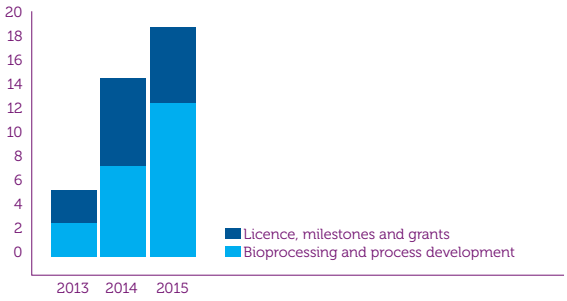
As a result of these activities, our gross income (the aggregate of revenues and other operating income) and our operating costs have grown significantly in 2015, and we have also incurred substantial capital expenditure.

Key Financial Indicators	2015 £m	2014 £m
Gross income[1]	**18.8**	14.7
Bioprocessing and process development income[2]	**12.4**	7.2
Licence, milestone and grant income	**6.4**	7.5
Operating loss	**14.1**	10.6
Cash used in operations	**14.9**	7.4
Capital expenditure	**16.7**	5.6
Cash burn[3]	**29.8**	11.6
Year end		
Cash balance	**9.4**	14.2
Loan balance	**27.3**	1.0
Headcount at year end	**231**	134

(1) Aggregate of revenues and other operating income
(2) Income from providing bioprocessing and process development expertise to partners
(3) Net cash used in operations plus purchases of non-current assets and interest received



Vector harvest volumes
Litres



Gross income
£m

+72%

Bioprocessing and process development income grew by 72% in 2015 over 2014 to £12.4 million (2014: £7.2 million)

Gross income

Gross income – the aggregate of revenue and other operating income – amounted to £18.8 million in 2015, an increase of 28% in 2015 over £14.7 million in 2014.

— £12.4 million of this (2014: £7.2 million) was derived from bioprocessing and process development with partners, mainly Novartis. This type of income is of a recurring nature and has the potential to be more sustainable than licence up front receipts, performance-based milestones and grant income. Bioprocessing and process development income therefore grew by 72% in 2015 over 2014. The chart opposite shows the increase in volumes harvested from vector bioprocessing and in large part explains the increase in this income

— Income from licences, milestones and grants was £6.4 million in 2015, slightly lower than the £7.5 million in 2014. In 2015 this income came largely from performance-related milestones from Novartis and GlaxoSmithKline's exercise of options to licence our intellectual property, whereas in 2014 the source was mainly the upfront receipts from Novartis on signing the October 2014 contracts.

Note that process development income in 2015 arising from the October 2014 Novartis collaboration is included in Other operating income whereas process development income in 2014, which arose under the May 2013 contract, is included in Revenue. This difference in accounting treatment is due to the differing nature of the two contracts with process development income under the 2014 contract essentially being the reimbursement of R&D costs incurred in developing IP which Oxford BioMedica will own.

Operating loss

Operating loss	2015 £m	2014 £m
Gross income	**18.8**	14.7
Cost of sales	**(5.8)**	(4.4)
R&D + Bioprocessing costs	**(20.3)**	(17.0)
Administrative expenses	**(6.7)**	(4.0)
Operating loss	**(14.1)**	(10.6)

Despite the increase in gross income the operating loss for 2015 was £14.1 million, compared with £10.6 million in 2014.

Cost of sales represents the cost of producing lentiviral vector batches which are sold to partners and includes raw materials, direct labour, indirect labour (including facility support staff and the significant effort required for quality control and analytical testing), as well as facility costs and overheads. Cost of sales also includes royalties payable on any licence income recognised as revenue by the Group. Excluding such royalties payable, the cost of sales increase in 2015 was around 45% and is broadly in line with the increased number of batches sold compared with 2014.

R&D and Bioprocessing costs

R&D and Bioprocessing costs increased from £17.0 million in 2014 to £20.3 million in 2015. The 2014 costs included certain one-off R&D items, without which the underlying costs in 2014 would have been £14.7 million. The underlying increase in R&D and Bioprocessing costs has therefore been £5.6 million.

The main components of these costs are:

- Payroll and other manpower-related costs such as recruitment, training, and travel. These costs account for just over half of the £20.3 million in 2015 compared with just under half of the underlying £14.7 million in 2014. The growth in these costs accounts for £4.1 million of the overall £5.6 million increase and has been caused by the increase in R&D and Bioprocessing employees from an average of 97 in 2014 to 176 in 2015.
- Facility costs including depreciation account for just over 10% of the costs in both years. The growth, which accounts for around £1.0 million of the increase, has been caused by the expansion in the facilities and because we have been incurring costs at both Windrush Court and the Medawar Centre during 2015 while we prepare the Windrush Court laboratories. We are planning to vacate the Medawar Centre during 2016 so the facility costs on that site will fall in 2016.
- External expenditure on clinical and pre-clinical costs, including regulatory and pharmacovigilance costs was around £3 million in both 2015 and 2014.

Administrative expenses

Administrative expenses were £6.7 million in 2015 compared with £4.0 million in 2014, an increase of £2.7 million. The growth in costs has been caused by payroll and other manpower-related costs due to the increase in administrative staff from an average of 16 in 2014 to 20 in 2015, additional facility costs, depreciation, IT and insurance caused by the growth in the business, and advisor fees in respect of new business development opportunities arising as a consequence of the business's higher profile caused by our relationship with Novartis.

Segmental analysis

Given the growth of the partnering revenue-generating business the Senior Executive Team has recently started to monitor the business performance split between a) strategic partnering and b) the proprietary research and development activities ("R&D") which cover clinical and pre-clinical product development and also the development of technical intellectual property. We have therefore for the first time presented a segmental analysis in the Notes to the Financial Statements, summarised below:

	Partnering £m	R&D £m	Total £m
Gross Income	16.3	2.5	18.8
Operating loss	(3.9)	(10.2)	(14.1)

Most of the Group's gross income is attributed to Partnering except for some corporate licence income and the grant income received from Innovate UK for the OXB-102 and OXB-202 development projects which are included in R&D. Each segment is then charged with the direct and indirect costs which are readily attributable to the segments. The remaining support and corporate costs which cannot be easily attributed are then allocated to each segment, primarily based on levels of activity and direct cost. Broadly the allocation process results in approximately two-thirds of the support and corporate costs being allocated to Partnering and one-third to R&D.

The purpose of this analysis is to monitor the net costs of each segment and ensure that they are being operated efficiently.

The operating loss of the Partnering activities was £3.9 million after allocation of support and corporate costs. During 2015 we built up the cost base in anticipation of the activity expected in 2016. With the anticipated higher bioprocessing volumes, and therefore revenues, the Partnering segment revenues should cover all of its costs in 2016, thereby being at least cash neutral.

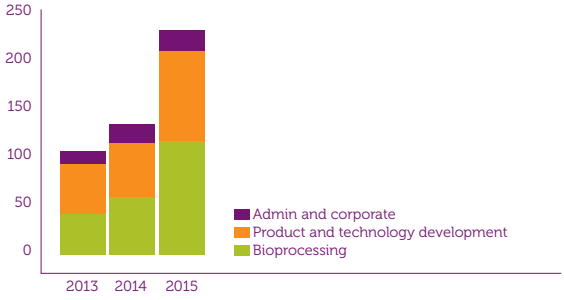
The net investment in R&D in 2015 was £10.2 million after deduction of its share of support and corporate overheads. Approximately 60% of this was incurred on our product development programmes and the remaining 40% on investment in lentiviral vector technology which in due course should generate value through enabling future IP licences and catalysing Partnering deals with third parties.

Employee numbers

To enable us to fulfil the anticipated 2016 partnering demand we have built up during 2015 we have recruited the employees needed to service this demand. To this end our headcount has risen from 134 at the end of 2014 to 231 at the end of 2015.

Employee numbers	31 Dec 2015	31 Dec 2014
Bioprocessing including QA, QC and analytical	**116**	58
Product and technology development	**95**	57
Administrative and corporate	**20**	19
	231	134

Although the most rapid period of growth is now complete, headcount will grow in 2016 as we continue the recruitment needed to underpin the expected activities.



Employee numbers

Cash used in operations

Cash used in operations increased from £7.4 million in 2014 to £14.9 million in 2015, an increase of £7.5 million.

— £3.5 million of this increase is due to the higher operating loss explained above although, when non-cash items included in net loss are eliminated (e.g. depreciation, amortisation and employee share scheme charges), the cash outflow due to the operating loss is reduced to £11.8 million, £2.7 million more than the 2014 equivalent of £9.1 million.

— 2015 working capital increased by £3.1 million compared with a reduction in 2014 of £1.7 million which explains a further £4.8 million of the increased cash outflow. The increase in working capital in 2015 is driven mainly by the increase in trade and other receivables and inventory, caused by the growth in commercial activity.

Cash used in operations	2015 £m	2014 £m
Operating loss	**(14.1)**	(10.6)
Non-cash items included in operating loss [1]	**2.3**	1.5
Operating loss excluding non-cash items	**(11.8)**	(9.1)
Working capital movement	**(3.1)**	1.7
Cash used in operations	**(14.9)**	(7.4)

(1) Depreciation, amortisation, charge in relation to share schemes

Cash burn

Cash burn is the aggregate of the cash used in operations, interest payments, R&D tax credit receipts, and the purchase of property, plant and equipment.

Cash burn	31 Dec 2015	31 Dec 2014
Cash used in operations	**(14.9)**	(7.4)
Purchases of property, plant and equipment	**(16.7)**	(5.6)
Interest paid, less received	**(1.5)**	(0.2)
R&D tax credit received	**3.2**	1.6
	(29.8)	(11.6)

Capital expenditure

Most of the capital expenditure in 2014 and 2015 is due to the capacity expansion programme in our production and laboratory facilities.

Purchase of property, plant and equipment	2015 £m	2014 £m
Freehold property [1]	–	3.7
Short-leasehold improvements [2]	**0.9**	–
Office equipment and computers	**0.6**	0.2
Production and laboratory equipment	**2.2**	1.1
Assets under construction [3]	**13.0**	0.6
Total	**16.7**	5.6

(1) Freehold property includes the purchase cost of the Windrush Court facility.
(2) Expenditure on short-leasehold improvements relates to our Yarnton site over which we have a 10 year lease.
(3) Assets under construction is the expenditure to date on the fabric and enabling services at our facilities, such as power, water and air handling, which has not yet been completed

The £5.6 million in 2014 largely comprised capacity expansion with the £3.5 million acquisition of Windrush Court being the largest item.

Purchases of property, plant and equipment in 2015 were £16.7 million. £15.2 million of this was spent on the capacity expansion work at Harrow House, Yarnton and Windrush Court. During 2015 we successfully brought on line a new clean room bioprocessing facility at Yarnton, Oxford, which, from the beginning of 2016, doubles our production capacity compared with 2015. We have also been developing our Harrow House facility to include a new Quality Control (QC) laboratory and a further clean room facility which we intend to use for bioprocessing lentiviral vectors using a new bioreactor process. Viral vector cGMP production requires very substantial amounts of QC and Quality Assurance (QA) testing before the product can be released and we would not have been able to handle the volume of testing required in 2016 and 2017 in our Medawar centre facility. We are therefore in the process of installing a completely new suite of biological laboratories in the North Wing of Windrush Court.

Including the purchase of Windrush Court, in the 15 months from October 2014 to the end of 2015 we have incurred £19.6 million capital expenditure on these expansion projects and will spend a further approximately £6 million in the first few months of 2016 to complete the work. This will bring the aggregate expenditure on the expansion programme since October 2014 to around £26 million.

The capital expenditure on capacity expansion is being financed by the Oberland loan facility. $40 million has been drawn down to date, approximately £26 million, which broadly matches the expenditure to date plus the further amount of approximately £6 million which will be spent in the first few months of 2016.

Interest and R&D tax credit

Interest paid in 2015 was £1.5 million, principally due on the Oberland loan facility. $25 million was drawn down in May 2015 and a further $15m in September 2015. In 2014 the interest was incurred on the loan from Vulpes Life Sciences Fund and the AMSCI loan, both of which have been fully repaid.

The R&D tax credit in respect of 2014 which was received in 2015 was £3.2 million, double that received in 2014 in respect of 2013. This increase is partly due to the increase in activity in 2014 compared to 2013, and partly due to changes to the underlying tax credit rates which were implemented from April 2014.

Cash balance

The Group began the year with £14.2 million cash balances. £29.8 million has been spent in the year, offset by net loan receipts of £24.8 million and £0.1 million proceeds from issuing shares related to employee share options exercised during the year, leading to a closing cash balance of £9.4 million.

In February 2016 the Group raised a further £7.6 million net of expenses from the placing of 128,383,528 shares in the Company.

Loan balance

We began the year with a loan balance of £1 million which was the first tranche drawn down under the £5.3 million AMSCI loan facility established in 2013. In the first quarter of 2015 we drew down a further £2 million but the entire £3 million was subsequently repaid when we established the $50 million Oberland loan facility in May 2015. $25 million (£16.3 million) of this facility was drawn down in May 2015, with a further $15 million (£9.8 million) drawn down in September.

The £27.3 million loan balance at the end of 2015 includes £1.0 million of currency revaluation losses on the $40 million Oberland loan balance.

Balance sheet

The most significant changes to the balance sheet have been:

— The increase in property, plant and equipment from £8.9 million at 31 December 2014 to £24.4 million at 31 December 2015. This increase is explained by the £16.7 million purchases offset by £1.3 million of depreciation.

— The increase in the loans balance from £1.0 million to £27.3 million. The balance at the end of 2014 was the £1.0 million which had been drawn down from the AMSCI facility; at the end of 2015 the balance is the $40 million loan drawn down valued at the exchange rate at 31 December 2015.

— Trade and other receivables have increased from £5.2 million to £10.9 million. The 2015 balance includes amounts receivable from Novartis in respect of performance milestones.

— Inventories have risen from £1.4 million to £2.7 million because of the higher levels of production in the past few months of 2015 compared with the same period in 2014, and also the anticipated step up in production volumes expected in 2016 with the new Yarnton facility coming on line from early 2016.

Comparison with profit estimate

On 23 February 2016 the Group announced a proposed placing to raise £8.1 million. Included in the announcement was an unaudited estimate of the financial results for the year ended 31 December 2015. The table below compares the estimates with actual audited results for the period:

	Estimate £m	Actual £m
Gross income	18-19	18.8
Operating loss	(15.5)–(16.5)	(14.1)
Loss for the period	(13.0)–(14.0)	(13.0)
Cash	9.4	9.4
Debt	27.3	27.3

The primary reason for the lower operating loss is that the position of the R&D tax credit which is claimed under the Large Company Scheme has been offset against the operating loss in the Actual results whereas it was included in the taxation in the Estimate. There is no net impact on the Loss for the Period.

Financial outlook

Partnering revenues should continue to grow strongly in 2016 as our bioprocessing capacity will more than double with the addition of the GMP4 (Yarnton) and GMP2 (Harrow House) clean room facilities. We also have reasonable expectations of further process development and bioprocessing contracts which will add to the requirements from Novartis and Immune Design.

Investment will continue in our three key products and technology development in 2016, broadly at the same level as in 2015, as we take OXB-102 and OXB-202 into their respective Phase I/II clinical studies and complete the OXB-302 pre-clinical programme. We will also continue to invest in our lentiviral vector technology.

The capacity expansion programme will be largely completed during the second quarter of 2016. Capital expenditure in 2016 required to complete the expansion is anticipated at approximately £6 million.

Going concern

The Directors estimate that the cash held by the Group together with known and probable receivables will be sufficient to support the current level of activities into the third quarter of 2016. This estimate does not include the potential benefit of any upfront receipts from further contracts for process development and bioprocessing services or from licencing-out the Group's intellectual property, and the Directors are therefore continuing to explore other sources of finance available to the Group. The Directors have confidence that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements, and have therefore prepared the financial statements on a going concern basis. However, because the additional finance is not committed at the date of approval of these financial statements, these circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

Tim Watts
Chief Financial Officer

The main areas we focus our corporate responsibility efforts on include:

Safety
In all our activities and interactions including the safety of patients in clinical studies; our employees in all activities but particularly in production and in our laboratories; and people in our community.

Our community
In particular the community around our facilities in Oxford in the way that we behave; comply with local laws and regulations; and control our emissions and waste.

The environment more generally
We monitor all of our facilities for carbon emissions; the use of water, electricity and gas; and waste production and disposal.

Our employees
We focus in particular on the health and safety of our employees; their engagement and job satisfaction; ensuring equality of opportunity and respect for diversity.

We are fully committed to acting responsibly in all that we do

Our attitudes and approach to corporate responsibility are governed by our company values which include "Ethics, Integrity, Trust and Respect" meaning that we aim to treat others as we would expect to be treated ourselves; acting openly, transparently and with integrity in every area of our business. We respect the rights of everyone whose lives we touch and celebrate the diversity and differences that bring us new perspectives.

Safety

Clinical trials

We place the highest priority on the safety and well-being of our clinical trial patients who are treated with our products. 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 the clinical trial sites, before any patients are treated.

Strong emphasis is also placed on maintaining the integrity of the Group's products including their safe bioprocessing, controlled distribution and compliance with all relevant regulations. Oxford BioMedica is responsible for ensuring that each batch of product is fit-for-purpose in terms of safety, quality, identity, strength, purity and expected efficacy and the Group continues to operate in accordance with Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), Good Laboratory Practice (GLP) accreditations. We also anticipate that within the next twelve to twenty four months we may be in a position to bioprocess and supply viral vector for commercially-approved cell therapy products. We are therefore planning for the increased requirements that this would bring.

We are committed to operating all of our activities at a high level of scientific quality and regulatory compliance. Our policies reinforce our commitment to high standards of quality being maintained at all times. A set of regulations and procedures provide guidance and instruction pertaining to the development, bioprocessing, testing, clinical evaluation, storage and distribution of investigational medicinal products (IMP) performed by or authorised by the Group.

It is a regulatory and Group requirement that employees are aware of the implications and importance of maintaining drug safety, quality and efficacy throughout its clinical trial programmes. Oxford BioMedica regularly holds company-wide GMP, GCP and GLP and pharmacovigilance training to ensure that employees are aware of and compliant with current best practice. The Group continues to support ongoing and periodic training as an essential part of its continuous improvement philosophy.

We have a policy for the management of clinical trials to ensure compliance with appropriate guidelines and legislation. Our website (www.oxfordbiomedica.co.uk) provides information on ongoing clinical trials, and we also disclose our trials on a US government-sponsored website (www.clinicaltrials.gov).

Employees

The safety of our employees in conducting their duties is as important to us as the safety of the patients in our clinical studies. Whilst the safety of all employees is important, those working in our production and laboratory facilities face additional risks which we endeavour to manage through maintaining our facilities and equipment to a high standard and through specific and detailed training. Our Health and Safety Management System covers all work activities such as the usage of biological, chemical and radioactive materials, and the operation of laboratory equipment. The Health and Safety Management System is reviewed and updated in order to improve current systems and procedures, 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.

People in our community

We aim to keep the people in our local community safe from any harm caused by our activities by closely managing our emissions and waste.

Our community

We recognise the value to be gained from being seen as a good local citizen by the Oxford community. We try to achieve this by delivering positive benefits for the community such as creating new jobs but also by avoiding having a negative impact. 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. For example, we have introduced a new Cycle To Work scheme and interest-free season ticket loans during 2015.

Environment more generally

Environmental policies

We fully recognise our responsibility to protect the environment and we review our environmental policy, objectives and guidelines regularly. The Group complies with all regulations that cover the processing and disposal of laboratory waste, using qualified licensed contractors for the collection and disposal of chemical and radioactive waste and decontaminated biological materials. No laboratory waste goes to landfill sites.

Greenhouse Gas Emissions report

The tables below show the usage in 2015 and 2014 of energy and water at our sites in Oxford, UK. We have also estimated our total CO2 emissions. We have indicated the usage "intensity" by dividing the usage by the average number of employees which is a relevant indicator of the amount of activity undertaken in the business.

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**

2014	Unit	Usage	Usage per employee	CO_2 emission (tonnes)
Electricity	MW hours	2,820	25.6	1,256
Gas	MW hours	1,783	16.2	386
Water supply	Cubic metres	7,729	70.2	2.7
Other activities (estimated) including waste disposal and travel				625
Total				**2,270**

Animal testing

It is a regulatory requirement that all new therapeutic products must be extensively 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": replacement, refinement and reduction of animal testing. These principles ensure that animals are only used when necessary and where there are no alternatives. The Group minimises the use of animal models by cross-referring LentiVector® platform data packages for the regulatory authorities.

Our employees

Our first duty to our employees is to ensure their health and safety while at work and we approach this as described on page 33.

It is also very important to us that our employees are fully motivated and engaged and can fulfil their potential and we address this in a number of ways:

— ***Remuneration***
With the growth in employee numbers from 134 to 231 during 2015 it was important to us that we invested in our internal processes to ensure that we are well placed to attract and retain employees. During 2015 therefore we have created a structured "job banding" system and assessed the appropriate levels of financial and non-financial remuneration for each band. With shareholders' approval at the 2015 Annual General Meeting we were able to modernise our share option plans in which all employees can participate. We have also introduced medical insurance for all staff and changed our pension provider to allow employees to take a more flexible and personalised approach to pension planning.

— ***Training***
Training is very important to us for several reasons. First, training is essential for the safety and well-being of our employees and others we interact with as discussed above. Secondly our bioprocessing, laboratory and clinical processes are complex and, without training, we would not be able to achieve the outcomes and productivity that we need to succeed as a business. Finally, we provide training to our line managers to ensure that they are as well prepared as possible to manage and motivate their teams.

— ***Values***
As well as the value of "Ethics, Integrity, Trust and Respect" mentioned earlier, we also have other corporate values of "Openness", "Delivery", "Working Together" and "Recognition" which we endeavour to build into all our activities.

— ***Communication***
We acknowledge the importance of communication between colleagues. Company briefings, R&D seminars and informal all-staff meetings are held to keep employees informed of general business issues and any other matters of interest. The circulation of press announcements and internal newsletters keeps employees informed of business and employee activities.

The Board and senior management are fully committed to providing equal opportunities to all employees and we embrace diversity.

The table below shows the gender split at different levels in the organisation as at 31 December 2015:

	Male	Female	Total	% Male	% Female
Board including non-Executive Directors	8	0	8	100%	0
Senior managers	11	4	15	73%	27%
All other employees	99	113	212	47%	53%
Total	118	117	235	50%	50%

Other areas

Charitable giving

The Board and Senior Executive Team is of the opinion that, as a loss-making company, Oxford BioMedica should not use its funds to make charitable contributions other than de minimis contributions to local causes.

Human Rights

The Group does not have a specific human rights policy since the Board does not consider this necessary in the context of the Group's activities.

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. Many of the Group's risks and uncertainties are common to all development-stage biopharmaceutical companies.

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. At least once annually, the Board specifically reviews risks within the Group and the risk management processes. The Audit Committee 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. The Audit Committee also reviews the Group's internal financial controls and the internal control systems.
- 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 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 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 – with the increasing scale of the business during 2015, Oxford BioMedica established a Risk Management Group comprising senior managers from each area of the business and chaired by the Director of Corporate Activities & 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 reviewed by SET twice a year and formally reported to the Audit Committee, following which it is considered by the Board.
- Standard Operating Procedures – all areas of the business have well established Standard Operating Procedures 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.
- The Group is exposed to a range of risks. Some of them are specific to Oxford BioMedica's current operations, others are more general business risks.

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 bioprocess 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 facility, 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 candidates 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 facility 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 site 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.

Principal risks, uncertainties and risk management

Bioprocessing revenue risk

The Group has started to earn significant revenues from bioprocessing lentiviral vectors for third parties. 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.

External supply chain

The Group relies on third party contractors for the supply of many key materials and services. These processes inherently carry risks of failure and loss of product and are risks with a lower degree of control. Problems at contractors facilities, such as technical issues, may lead to disruption or loss of supply or available capacity. Some materials and services used by the Group maybe available only from one source.

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 their conclusions are set out in the Financial review (page 31), the Directors' report (page 69) and in Note 1 to the consolidated financial statements (page 81).

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.

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.

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 supplying services to 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 USA. 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.

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 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. The Group also 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. To the extent that the Group's foreign currency assets and liabilities in the longer term are not so well 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 3 month LIBOR. If 3 month LIBOR rises above 1% the Group's interest payments may increase.

The Board of Directors

Lorenzo Tallarigo (65)

Chairman

Appointment:
— Appointed as non-Executive Director and Chairman in February 2016

Committee membership:
— Nominations Committee

From 2008 to 2014 Dr.Tallarigo was a member of the Board, and Chairman from 2011, of Intercept Pharmaceuticals. Intercept Pharmaceuticals is a biopharmaceutical company focused on the development and commercialisation of novel therapeutics to treat liver diseases. From 2009 to 2014, Dr. Tallarigo also held the position of Chief Executive Officer at Genextra, a holding company focused on identifying innovative research and projects in life sciences to develop novel treatments and tools by creating successful business ventures. Under his leadership at Genextra, where he continues as a current Board member, Dr. Tallarigo raised finance to support the activities of several healthcare companies acting in a variety of therapeutic areas. From 1985 to 2008, Dr. Tallarigo worked at Eli Lilly, where he held various positions in areas of clinical research, pharmaceutical product management and marketing and general management, and latterly as its President of international operations. During his latter role at Eli Lilly, Dr. Tallarigo was responsible for $8 billion of revenues and $4 billion in profits, covering 140 countries and managing 12,000 employees. He has a Doctor of Medicine degree from the University of Pisa (Italy) and a PMD from Harvard Business School in Boston.

Dr Andrew Heath (67)

Deputy Chairman and Senior Independent Director

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

Dr Heath is a biopharmaceutical executive with in-depth knowledge of US and UK capital markets and international experience in marketing and sales, R&D and business development. He was Chief Executive Officer of Protherics plc from 1997 to 2008, taking the Company from 30 to 350 staff and managing its eventual acquisition by BTG for £220 million. Prior to this, Dr Heath held senior positions at Astra AB and Astra USA, including Vice President Marketing & Sales, and at Glaxo Sweden as Associate Medical Director. Dr Heath is currently non-executive Chairman of Shield Therapuitics and is also a non-executive director at Novacyt SA and IHT.

Martin Diggle (53)

Non-executive Director

Appointment:
— Appointed a Director in October 2012

Committee membership:
— Remuneration Committee
— Nomination Committee

Mr Diggle is a founder of Vulpes Investment Management, a Cayman Fund Manager which currently manages five funds including the Vulpes Life Sciences Fund which is the Group's second largest shareholder. An investment professional with 30 years' experience in investment banking and fund management, Mr Diggle has extensive, first-hand knowledge of the global financial markets and is an expert in emerging markets and Russia, in particular, where he was a partner and director of UBS Brunswick between 1994 and 2003. He has been an investor in life sciences and biotechnology since 1999 and has developed a passionate interest in the sector having worked closely with several companies as a stakeholder over the past decade. Mr Diggle holds a master's degree in Philosophy, Politics and Economics from University of Oxford, and he is a non-Executive Director of Proteome Sciences plc and Chronos Therapeutics.

Daniel Soland (58)
Daniel Soland was appointed a non-Executive Director in May 2015. He resigned from the Board in January 2016 following his appointment as Chief Executive Officer of uniQure N.V. Mr Soland was a member of the Remuneration Committee

Nick Rodgers (57)
Nick Rodgers will resign from the Board with effect from 30 April 2016. He was appointed a non-Executive Director in March 2004 and became Chairman in May 2011. In recent years he was also Chairman of Nomination and Audit Committees. Mr Rodgers ceased to be Chairman on 31 January 2016

John Dawson (56)

Chief Executive Officer

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

Committee membership:
— None

From 1996 to 2007, Mr Dawson held senior management positions in the European operations of Cephalon Inc. including, from 2005, a management board position as Chief Financial Officer and Head of Business Development, Europe. In his time at Cephalon he led many of the deals that built the European business to over 1,000 people, taking the business from having no sales in 1998 to revenue of several hundred million US dollars. In 2005, Mr Dawson led the US$360 million acquisition of Zeneus by Cephalon. Between 1991 and 1996 he was Director of Finance and Administration of Serono Laboratories (UK) Limited. Mr Dawson is a non-Executive director of Paion AG.

Tim Watts (58)

Chief Financial Officer

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

Committee membership:
— None

Mr Watts has 25 years' experience in the Pharmaceutical and Biotech sectors. From 1 January 2014 he has been a Director of the UK BioIndustry Association. In 1985 he joined ICI, initially in the corporate headquarters and from 1990 in the pharmaceuticals division, eventually becoming Finance Director of the Zeneca Pharmaceuticals business. Following the merger of Astra and Zeneca, Mr Watts became Group Financial Controller of AstraZeneca PLC in 2001. In 2007 he left AstraZeneca to become Chief Financial Officer at Archimedes Pharma. Mr Watts is a member of the Institute of Chartered Accountants in England and Wales.

Peter Nolan (63)

Chief Business Officer

Appointment:
— Appointed a Director in May 2002

Committee membership:
— None

Peter Nolan was appointed to the Board in May 2002 having been a senior member of the Group since its foundation and has been the architect of the Group's IP strategy. His current additional operational responsibilities include Business Development, Contracts/Legal Issues, Quality, Health & Safety and Facilities. Until the end of 2013 he was a Director of the UK BioIndustry Association and he is a past founding Chairman of the Oxfordshire Bioscience Network. Prior to joining Oxford BioMedica, Mr Nolan served as Head of the Biotechnology Unit at the UK Department of Trade and Industry for eight years. Previously he held senior positions in the Laboratory of the Government Chemist and also the Metropolitan Police Laboratory in London where he was a senior forensic scientist.

Dr Paul Blake (67)

Chief Development Officer

Appointment:
— Appointed a non-Executive Director in January 2010 and became Chief Development Officer in September 2014

Committee membership:
— None

Dr. Blake has over 30 years international pharmaceutical/biotech experience. From 2006 to 2014 he was Senior Vice President and Chief Medical Officer of Æterna Zentaris Inc., a global biopharmaceutical company focused on oncology and endrocrine therapy. From 2001 to 2006, he held senior management positions at Cephalon Inc, including Executive Vice President, Worldwide Medical & Regulatory Operations from 2005. Dr Blake's previous positions include Senior Vice President and Medical Director, Clinical Research and Development at SmithKline Beecham Pharmaceuticals. He gained his medical degree from the London University, Royal Free Hospital.

Corporate governance report

Dear Shareholder
I am pleased to present Oxford BioMedica's Corporate Governance Report for 2015.

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.

2015 was a year of great change for the Company. We expanded our bioprocessing and laboratory facilities and increased our headcount significantly to enable us to meet the obligations under our October 2014 contracts with Novartis and to allow us to grasp the opportunity to build a significant business from providing lentiviral vector bioprocessing and process development services to third parties. This evolution has also presented us with increasing numbers of potential new collaborations with other parties who require the services we can now provide. The Board has played a full role during the year in understanding and monitoring the evolution of the business and its funding requirements.

The Company announced in 2014 that Nick Rodgers would stand down as non-Executive Director and Chairman once a successor had been found. Partly due to the rapid changes in the business over the last 18 months, this process has taken longer than expected but I am delighted that Lorenzo Tallarigo joined the Board as Chairman on 1 February 2016. Nick will now step down on 30 April 2016. The Company also announced on 26 April 2016 that Mr Stuart Henderson will join the Company on 1 June 2016 as non-Executive Director and Chair of the Audit Committee.

Between the February 2016 and April 2016 board meetings, Nick Rodgers conducted a review of the board's performance during 2015. The review process comprised private discussions with each director individually which were then summarised for and discussed at the April 2016 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 2015.

Andrew Heath
Senior Independent Director

Compliance with the UK Corporate Governance Code (UKCGC)

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

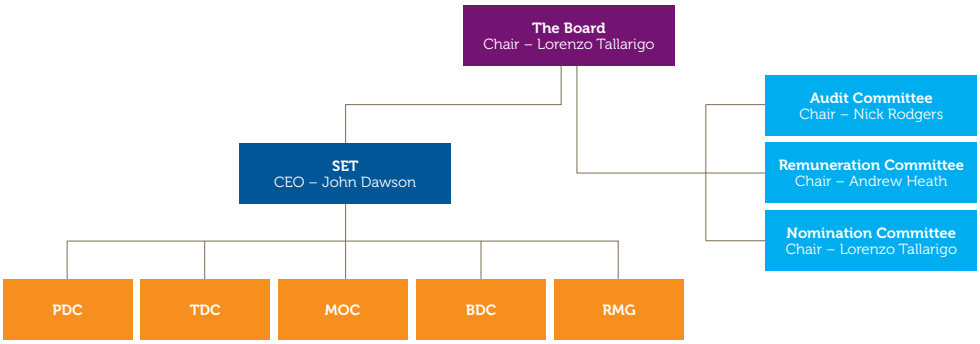
UKCGC reference	Main Principle	Application
A.1	Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	The Company's board comprises both non-Executive directors and Executive directors. The board meets at least eight times annually.
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 committees are comprised solely of non-executive directors. All of the non-executive directors are independent with the exception of Martin Diggle who is a founder of Vulpes Investment Management which manages Vulpes Life Sciences Fund, one of the Company's biggest investors.
B.2	There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	The process to appoint Lorenzo Tallarigo was led by the Senior Independent Director who engaged the services of a search firm to 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 2015.
B.4	All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	Lorenzo Tallarigo has received induction during January and February 2016 including meetings with a number of senior managers in the business and meetings with the Company's auditors, lawyers and financial and other advisers.
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 eight 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 in March 2016.
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 and risks relevant to agenda items are considered at every meeting . A system of risk management has been established in the Company and this process results in a formal risk review by the Board at least once per annum. The Audit Committee 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 second-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 large 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")except for provision C.3.1 of the UKCGC which states that a company Chairman should not chair the Audit Committee. When the composition of Board and its committees was re-organised in May 2011, Nick Rodgers became Group Chairman and retained the chair of the Audit Committee. The Board has recognised that this arrangement was not in compliance with the Code but the situation has changed with effect from 1 February 2016 when Lorenzo Tallarigo became Chairman. Nick Rodgers will continue to Chair the Committee until he leaves the board on 30 April 2016. Mr Stuart Henderson will join the Company on 1 June 2016 as non-Executive Director and Chair of the Audit Committee.

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
MOC – 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. After Nick Rodgers steps down from the Board on 30 April 2016 there will be three non-executive directors and four executive directors. The Board intends to appoint at least one new non-executive director.

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 and Health and Safety matters 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, and Health & Safety.

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 50 to 67 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.

— Daniel Soland was appointed a non-Executive Director on 7 May 2015 and met the independence criteria. He subsequently resigned from the Board on 5 January 2016 following his appointment as CEO of uniQure.

— Nick Rodgers, who was Chairman until 31 January 2016 met the independence criteria recommended by the Code when he was appointed as Chairman in May 2011. Mr Rodgers will leave the Board on 30 April 2016.

— Andrew Heath, the Senior Independent Director, 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 second 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 2015 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
Paul Blake	8	8						
John Dawson	8	8						
Martin Diggle	8	8			4	4	1	1
Andrew Heath	8	8	2	2	4	4	1	1
Peter Nolan	8	6						
Nick Rodgers	8	8	2	2	4	3	1	1
Daniel Soland	6	6			3	3		
Tim Watts	8	8						

In addition to the above regular meetings, the Board (or an appointed sub-committee of the Board) met on a further six occasions to consider specific ad hoc matters including the approval of the 2014 financial statements and the interim 2015 financial results, the approval of the 2015 budget and matters relating to the Oberland loan facility.

The Chairman holds meetings from time to time with non-Executive Directors without the Executive Directors in attendance.

Board activity during 2015

Board matters during 2015 included routinely recurring items such as the approval of the 2014 preliminary results and Annual report and the 2015 interim results announcement. It also included specific items including:

— The Group's capacity expansion plans and required capital expenditure following the October 2014 Novartis contracts and providing lentiviral vector bioprocessing and process development services to third parties

— Financing requirements and approval of the Oberland $50 million debt facility

— Strategy discussions including reviews of in vivo and ex vivo lentiviral vector product opportunities and portfolio prioritisation

— Business development opportunities including potential in-licensing transactions

— Appointment of Daniel Soland and Lorenzo Tallarigo as directors

— Approval of the new 2015 share option plans, subject to shareholder approval which was achieved at the 2015 AGM

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

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 2016 annual general meeting Lorenzo Tallarigo, Stuart Henderson, Martin Diggle and John Dawson, will retire from the Board and stand for re-election in accordance with Articles 33 and 38 of the Company's Articles of Association.

Review of performance

Between the February 2016 and April 2016 board meetings, Nick Rodgers conducted a review of the board's performance during 2015. The review process comprised private discussions with each director individually which were then summarised for and discussed at the April 2016 board meeting. The main conclusions from this review were that, while the board's performance was broadly satisfactory, there are a number of areas where improvements could be made including:

— Broadening the range of skills and experience on the board by recruiting additional non-executive directors. The directors also recognise the need for more diversity on the board and will endeavour to address this during the recruitment process

— Increasing the amount of time allocated to strategic matters and financing and reducing time spent on operational matters

— Improving the clarity and quality of communication with the Group's shareholders

The Board has undertaken to address these areas during 2016.

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, the Company's second 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 shareholders	John Dawson and Tim Watts met with major shareholders including Novartis, on several occasions during 2015 and early 2016. Lorenzo Tallarigo has also already met with major shareholders since his appointment.
Results announcements and presentations	The Group announced its 2014 full year performance and financial results in March 2015, and its 2015 half year interim results in August 2015 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.
Business updates	The Group has also continued to provide business updates between the full year and interim financial results in May and November 2015.
2014 Annual Report	The Group published its 2014 Annual Report in April 2015.
2015 Annual General Meeting	The 2015 AGM was held in London on 7 May 2015. Shareholders were invited to attend this meeting which lasted for about 2 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.
Website	The Group's website http://www.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 received through its enquiry inbox enquiries@oxfordbiomedica.co.uk
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 and James Miskin, 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, 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 – covering the development of new gene and cell therapy products from initial concept through to clinical development;

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

— Manufacturing Operations Committee – covering the production of clinical batches.

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 – 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 – 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.

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. The SET is accountable for identifying the risks 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 two non-Executive Directors: Nick Rodgers (Chairman) and Andrew Heath. The Board considers that both members of the Audit Committee possess relevant financial experience. However provision C.3.1 of the Code states that a company Chairman should not chair the Audit Committee. When the composition of Board and its committees was re-organised in May 2011, Nick Rodgers became Group Chairman and retained the chair of the Audit Committee. The Board recognised that this arrangement was not in compliance with the Code but the situation has now changed with the appointment of Lorenzo Tallarigo as Chairman. Nick Rogers will resign from the Board on 30 April 2016. Mr Stuart Henderson will join the Company on 1 June 2016 as non-Executive Director and Chair of the Audit Committee.

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 twice in 2015 – first, during the preparation of the 2014 financial results in February 2015; secondly in August 2015 before the 2015 interim results announcement. The Committee also met in January 2016 to approve the strategy for the 2015 audit and in February 2016 to consider the first phase of the 2015 audit work. The Chief Executive Officer, Chief Financial Officer and the external auditors attended all four meetings at the Committee's invitation. At the end of each meeting the Committee met with the auditors without the executive team members.

The primary purpose of the February 2015 meeting was to consider the auditors' report to the Audit Committee following their audit of the 2014 financial statements. The two key matters arising were the timing of recognition of the upfront cash receipts from the October 2014 Novartis contracts and the question of going concern.

— The October 2014 Novartis contracts included $9.7 million of upfront receipts under the licence agreement of which $7.7 million was received in respect of the non-exclusive licence in oncology under the Group's existing lentiviral vector intellectual property platform. The matter requiring judgement was how much of the $7.7 million could be recognised immediately and how much, if any, should be recognised over a longer period. Key considerations were whether Novartis would be able to realise value from this licence independently from any further IP generated in the collaboration and whether its fair value was reliable. Management had reached the conclusion, based on a number of factors, that these considerations were met and so the $7.7 million could be recognised in full in 2014. The auditors concurred with this assessment.

— The going concern discussion centred on the impact of the capital expenditure programme and how this would be financed. The Group's cash flow forecasts showed that, in the event that further funding was not received, the capital expenditure programme could be curtailed or suspended to ensure that the Group's cash would last into 2016.

The Committee also approved the 2014 audit fees at the February 2015 meeting.

The topic for discussion at the August 2015 meeting was the interim results for 2015.

— The main matter for discussion was the recognition of income from the process development collaboration with Novartis under the October 2014 contract. It was concluded that, as this income is in essence the reimbursement by Novartis of the Group's costs incurred on the collaboration, the income should be reported as Other Operating Income rather than Revenue.

— Going concern was also discussed but, as the Group had secured the $50 million loan facility with Oberland, it was not considered to be an issue for the interim results.

— The auditors pointed out that accounting for inventory under the Group's legacy accounting systems had some control weaknesses and relied on extensive manual intervention. It was acknowledged that these shortcomings would be addressed by the new ERP system which is planned for implementation by mid-2016. In the meantime the Group would continue to allocate sufficient resource to maintaining the controls manually.

The January 2016 meeting of the Committee reviewed the 2015 audit strategy proposed by the auditors. The key audit risks identified in the strategy included Novartis contract revenue recognition, fair value of the Oberland loan, capital expenditure and the value of tangible fixed assets, and going concern.

The auditors highlighted certain developments in the UK Corporate Governance Code including the new requirement for a viability statement to be made by the directors and included in the Annual Report.

After discussion, the audit strategy was accepted by the Committee. The Committee also approved the audit fees for the 2015 audit.

The Committee met in February 2016 to discuss the auditors' initial feedback from the on-site audit work although it was accepted that there were several matters still outstanding including the drafting of the Annual Report, which had been delayed by the £8.1 million equity placing that had taken place in February 2016, and the going concern assessment. The auditors reported that no major issues had arisen from their audit work including in the key audit risks identified in the strategy. The auditors also reported that the manual procedures put in place to control inventory reporting had worked well.

The Audit Committee has reviewed the relationship with the auditors and is satisfied with their effectiveness and that they remain independent. The review of audit effectiveness included discussions with the Group's Chief Executive Officer and Chief Financial Officer, an assessment of subsequent events which might have exposed shortcomings in the audit process, and the direct experience of the Audit Committee members with the audit team. The review also included the terms of engagement and audit fees. There are no contractual obligations restricting the Group's choice of external auditor.

The Board continues to give careful consideration to audit re-tendering.In the light of the Board's intention to appoint a new non-executive director who will become the new Audit Committee chairman, the Board has decided that the incoming Audit Committee chairman should be asked to review the relationship with PwC and to make a recommendation to the Board as to whether the audit should be re-tendered and, if so, how soon.

Pending this review the Board recommends that PwC should be reappointed for the 2016 audit and this will be proposed to shareholders at the 2016 Annual General Meeting.

Under the Group's policy on non-audit services, the Audit Committee is advised of and approves all non-audit services provided by the Group's auditors. As part of this approval process, the Audit Committee ensures that the provision of non-audit services will not impact the auditors' objectivity and independence. During 2015, non-audit services provided by PwC included corporate finance services connected with certain business development activities, and tax compliance and advisory services. The fees payable to PwC in respect of services provided during 2015 are set out in Note 7 of the consolidated financial statements.

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 2015 was prepared by the Chief Financial Officer and the Financial Controller and discussed with the Chairman of the Audit Committee and reported to the board in April 2016.

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 2015 on an ad hoc basis.

— In April 2015 the Committee, chaired by Nick Rodgers, met to discuss and approve the appointment of Daniel Soland as a non-executive director. Mr Soland was formally appointed on 7 May 2015. He resigned from the Board on 5 January 2016 following his appointment as CEO of uniQure

— On several occasions during 2015 the Committee, chaired by the Senior Independent Director, met to monitor the process for the appointment of a new Chairman. A search company was used to help identify a shortlist of candidates. Once the shortlist of candidates had been identified, the candidates were invited to meet the other directors and to visit Oxford BioMedica's facilities in Oxford as part of the selection decision process. The final decision to appoint Lorenzo Tallarigo was made by the Nominations Committee in consultation with the CEO.

Share capital

The information about the share capital required by the Takeover Directive is in the Directors' report on page 68.

Directors' remuneration report

for the year ended 31 December 2015

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 2015 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 2016.

The annual statement and the report on 2015 remuneration are subject to an advisory vote at the Company's 2016 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 2016. Accordingly, shareholder approval for the policy is not sought at the 2016 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 Martin Diggle. Other Directors are invited to attend meetings on an agenda driven basis.

Annual statement from the Remuneration Committee chair
(not subject to audit)

Dear Shareholder
I am pleased to introduce our remuneration report for the 2015 financial year. Our approach is based on the remuneration policy approved by shareholders at the 2015 AGM.

Remuneration Committee activities during 2015
During 2015 the Committee met four times. The main activities and decisions were as follows:

In February 2015 the Committee considered and approved a number of matters which were subsequently disclosed in the 2014 Directors' remuneration report and in some case submitted for shareholder approval at the 2015 AGM . These included:

— The changes to the remuneration policy which were approved by shareholders at the 2015 AGM

— The new share plans which were approved by shareholders at the AGM

— Changes to Executive Directors' base salaries to take effect from 1 January 2015 which were disclosed in the 2014 Directors' remuneration report

— Executive Directors' bonuses in respect of 2014, which were disclosed in the 2014 Directors' remuneration report

In June 2015 the Committee approved the awards to Executive Directors and other members of the Senior Executive Team under the 2015 LTIP, and grants of options to other employees under the 2015 ESOS. The Committee met again in June 2015 to approve the vesting of LTIP awards made in June 2012 and the partial banking of LTIP awards made in June 2013 and June 2014.

In December 2015 the Committee met to consider the business's performance against its 2015 objectives.

2015 business performance and incentive impact

In February 2016 the Committee met to consider the achievement of 2015 objectives and the annual bonus award for 2015.

The performance of the business in 2015 is set out in detail in the strategic report from pages 12 to 31 and the performance against corporate objectives is set out on page 53 of this Remuneration report. Taking all of these factors into account the Committee decided to award the Executive Directors bonuses of 42% of the maximum, which was 125% of base salary for 2015. The 2015 bonuses will be paid 50% in cash and 50% in deferred share awards. Further details are provided on page 53 with regards to how performance under the annual bonus targets translated into bonus payment.

LTIPs awarded in June 2015

The Committee met in June 2015 to approve the award of LTIP options to the Executive Directors and other members of the Senior Executive Team. The awards to the Directors are set out on page 54 of this report.

Vesting of the 2012 LTIP award

The LTIP awards made on 30 June 2012 were set at a time when the share price was 2.5p and the vesting conditions were as follows:

Share price at 30 June 2015	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%

In the event, the share price at 30 June 2015 and over the preceding weeks was comfortably above 7.5p and as a consequence the Committee approved the vesting of 100% of the 2012 LTIP awards.

Banking of LTIP awards

For the LTIP awards made in June 2012, June 2013 and June 2014 there was also 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 and second anniversaries of the June 2014 and June 2013 awards, the Committee approved the banking (but not vesting) of 50% and 25% respectively of the awards made in June 2013 and June 2014 respectively. These will vest on the 3rd anniversaries in 2016 and 2017.

Proposed approach to executive remuneration for 2016

Under the remuneration policy Executive Directors' base salaries are normally reviewed annually. The Remuneration Committee has carried out this review in February 2016 and has awarded the following base salary increases:

Name	Current Salary	Percentage Increase	Total of Increase	New Salary
John Dawson	£335,000	2%	£6,700	£341,700
Paul Blake	$350,000	2%	$7,000	$357,000
Peter Nolan	£205,000	3%	£6,150	£211,150
Tim Watts	£215,000	2%	£4,300	£219,300

Salary changes for 2016 for the Executive Directors have been set relative to the wider workforce (median average salary increases across the business for 2016 are around 2.5%).

Performance objectives for the Group have been agreed by the Board and the extent to which Executive Directors' bonuses for 2016 are earned will be determined by the Remuneration Committee early in 2017 in the light of performance against those objectives and in line with the remuneration policy.

The Committee also intends to grant LTIP options to the Executive Directors during 2016 in accordance with the approved remuneration policy.

On 12 June 2016 the performance criteria for the LTIP awards granted on 12 June 2013 will be assessed. At the time when the awards were granted the share price was consistently below 2p and vesting conditions set 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%

Dr Lorenzo Tallarigo was appointed to the Board as non-Executive Chairman with effect from 1 February 2016. His fees were determined by the other non-Executive Directors and set at £150,000 per annum. Dr Tallarigo has requested that one-third of his monthly after-tax fees should be used to purchase the Company's shares in the market. This has been implemented and took effect from 25 February 2016. No other changes to non-Executive fees are planned for 2016.

Other matters

At the 2015 AGM shareholders approved three new share plans – a Long Term Incentive Plan (2015 LTIP), an Employee Share Option Scheme (2015 ESOS) and, for the first time, a ShareSave Scheme. The Committee met in June 2015 to approve the award of options under the 2015 LTIP and ESOS and in September the Group implemented the ShareSave Scheme under which all employees who had completed their probationary period were invited to participate. There were 78 applications and 5,516,286 options were granted.

The Committee recognises the expectations of our shareholders on executive pay and we were pleased that the 2014 Directors' remuneration report and the policy both received votes in favour in excess of 99% at the 2015 AGM. Shareholders will be invited to approve the 2015 annual remuneration report at the 2016 AGM.

Andrew Heath
Chair, Remuneration Committee

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 2015 for each Director and comparative figures for 2014.

2015	Salary £'000	Benefits[1] £'000	Bonus £'000	LTIP[2] £'000	Pension[3] £'000	Total £'000
John Dawson	335	6	176	165	50	732
Paul Blake[4]	228	15	122	–	33[4]	398
Peter Nolan	205	4	125	87	31	452
Tim Watts[4]	215	–	117	150	28[4]	510
Total	**983**	**25**	**540**	**402**	**142**	**2,092**

2014	Salary £'000	Benefits[1] £'000	Bonus £'000	LTIP[2] £'000	Pension[3] £'000	Total £'000
John Dawson	330	6	311	–	33	680
Paul Blake[4, 5]	72	5	68	–	6[4]	151
Peter Nolan	183	4	172	–	18	377
Tim Watts[4]	210	–	198	–	17[4]	425
Total	**795**	**15**	**749**	**–**	**74**	**1,633**

1. Benefits comprise medical insurance
2. LTIP awards granted in 2011 lapsed without vesting in 2014 because threshold performance conditions were not met, whilst LTIP awards granted in 2012 vested 100% in 2015 due to performance conditions being met as described in the Remuneration Committee Chair's statement on page 51
3. Pension contributions are made into the Group's defined contribution scheme
4. Paul Blake and Tim Watts have elected to receive a cash allowance in lieu of a company pension contribution
5. Prior to his appointment as Chief Development Officer in September 2014, Paul Blake served as a non-Executive Director

During 2015 there were no payments to former directors (2014: £nil) and no payments for loss of office (2014: £208,000)

In February 2016 the Committee met to consider the achievement of 2015 objectives and the annual bonus award for 2015. The performance of the business in 2015 is set out in detail in the strategic report from pages 12 to 13.

Performance against the Group objectives for 2015, on which the Executives bonuses are based, was as follows:

Objective	Weighting	Performance assessed
Product development	40%	Assessed at 12% based on: a) the progress made with OXB-102, OXB-202, OXB-301 and OXB-201; b) the management and development of IP; and c) the development of OXB-302 as part of an *ex vivo* strategy.
Partnerships and bioprocessing	40%	Assessed at 19% based on: a) the delivery of milestones and revenues under the Novartis contract; b) the capacity expansion programme: and c) business development.
Organisational effectiveness	10%	Assessed at 8% taking into consideration the development of the Group's internal management process as the headcount expanded from 134 to 231.
Corporate	10%	Assessed at 3% taking into account the development of the Company's shareholder base across Europe and the USA, and the Group's financial position.

Taking all of these factors into account the Committee decided to award the Executive Directors bonuses of 42% of the maximum which was 125% of base salary for 2015.

The 2015 bonuses will be paid 50% in cash and 50% in deferred share awards. The deferred share awards are not subject to further performance conditions 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	2015 £'000	2014 £'000
Nick Rodgers	**75**	75
Andrew Heath	**46**	46
Daniel Soland	**26**	–
Paul Blake[1]	**–**	26
Total	**147**	147

1. Paul Blake became an Executive Director on his appointment as Chief Development Officer in September 2014

Martin Diggle has elected to receive no fees for his services as a Director. Lorenzo Tallarigo was appointed as Chairman of the Board on 1 February 2016

Aggregate Directors' emoluments	2015 £'000	2014 £'000
Salaries	**983**	795
Benefits	**25**	15
Pension/cash alternative	**142**	74
LTIP	**402**	–
Bonuses	**540**	749
Non-Executive Directors fees	**147**	147
Total	**2,239**	1,780

LTIPs awarded during 2015

On 10 June 2015, the Executive Directors were awarded the following options under the Group's LTIP scheme:

	Number of options granted	Face value of grant
John Dawson	2,749,282	£266,680
Paul Blake	1,887,567	£183,094
Peter Nolan	1,682,396	£163,192
Tim Watts	1,764,465	£171,153

The number of options awarded was calculated by reference to 80% of salary divided by the average share price in the five business days preceding the award (9.7p).

The awards are nominal cost options exercisable at par 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 9.7p 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 10 June 2018.

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 as at 31 December 2015 were as follows:

	Shares held outright		Vested but unexercised options		Unvested deferred bonus plan		Unvested LTIP awards subject to performance conditions	
	2015	2014	2015	2014	2015	2014	2015	2014
Executive Directors								
John Dawson	2,782,829	2,782,829	8,328,769	1,000,000	2,827,693	2,186,308	13,276,747	17,127,465
Paul Blake	2,624,559	2,526,999	–	–	228,359	–	3,996,942	2,109,375
Peter Nolan	883,313	883,313	3,863,303	–	1,528,766	1,149,910	7,369,364	9,166,968
Tim Watts	5,918,934	5,607,829	6,441,678	–	1,755,273	1,325,035	8,294,747	12,530,282
non-Executive Directors								
Lorenzo Tallarigo[1]	–	–						
Martin Diggle[2]	451,284,439	447,452,767						
Andrew Heath	1,200,000	1,000,000						
Nick Rodgers	1,042,829	1,042,829						
Daniel Soland[3]	1,397,765	NA						

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

Since 31 December 2015 there have been the following changes to the Directors' shareholdings which, with the exception of Lorenzo Tallarigo, have arisen as a result of Directors' participation in the February 2016 equity placing:

Directors	At 31 December 2015	At 28 April 2016
John Dawson	2,782,829	3,259,019
Paul Blake	2,624,559	2,783,289
Peter Nolan	833,313	1,042,043
Tim Watts	5,918,934	6,395,124
Lorenzo Tallarigo[(1)]	–	119,003
Martin Diggle	451,284,439	475,140,655
Andrew Heath	1,200,000	1,300,000
Nick Rodgers	1,042,829	1,042,829

(1) One-third of Lorenzo Tallarigo's monthly after-tax fees is being used to purchase Company shares in the market.

During 2015 the following options have vested:

	Unvested at 31 December 2014		Vested during 2015		Awarded during 2015		Unvested at 31 December 2014	
	LTIP awards	Deferred Bonus	2012 LTIP awards[1]	2013 Deferred Bonus[2]	2015 LTIP awards	2014 Deferred Bonus	LTIP awards	Deferred Bonus
John Dawson	17,127,465	2,186,308	6,600,000	728,769	2,749,282	1,370,154	13,276,747	2,827,693
Paul Blake	2,109,375	–	–	–	1,887,567	228,359	3,996,942	228,359
Peter Nolan	9,166,968	1,149,910	3,480,000	383,303	1,682,396	762,159	7,369,364	1,528,766
Tim Watts	12,530,282	1,325,035	6,000,000	441,678	1,764,465	871,916	8,294,747	1,755,273

(1) The LTIP awards made on 30 June 2012 were set at a time when the share price was 2.5p 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. At 7.5p, i.e. treble the baseline share price, 100% of the options would vest. In the event the share price at 30 June 2015 and over the preceding weeks was comfortably above 7.5p and as a consequence 100% of the 2012 LTIP options vested.
(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 one-third of the deferred bonuses awarded in June 2014 in respect of 2013 performance vested in June 2015.

On 12 June 2016 the performance criteria for the LTIP awards granted on 12 June 2013 will be assessed. At that time the share price was consistently below 2p and vesting conditions set 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%

Banking of LTIP awards

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 and second anniversaries of the June 2014 and June 2013 awards, 50% and 25% respectively of the awards were banked (but not vested) in June 2015. These will vest on the 3rd anniversaries of grant in 2016 and 2017.

	2013 LTIP		2014 LTIP	
	Awarded 12 June 2013	50% banked but not vested on 12 June 2015[1]	Awarded 20 June 2014[1]	25% banked but not vested on 20 June 2015
John Dawson	5,577,465	2,788,732	4,950,000	1,237,500
Paul Blake	–	–	2,109,375[1]	–
Peter Nolan	2,933,493	1,466,746	2,753,475	688,368
Tim Watts	3,380,282	1,690,141	3,150,000	787,500

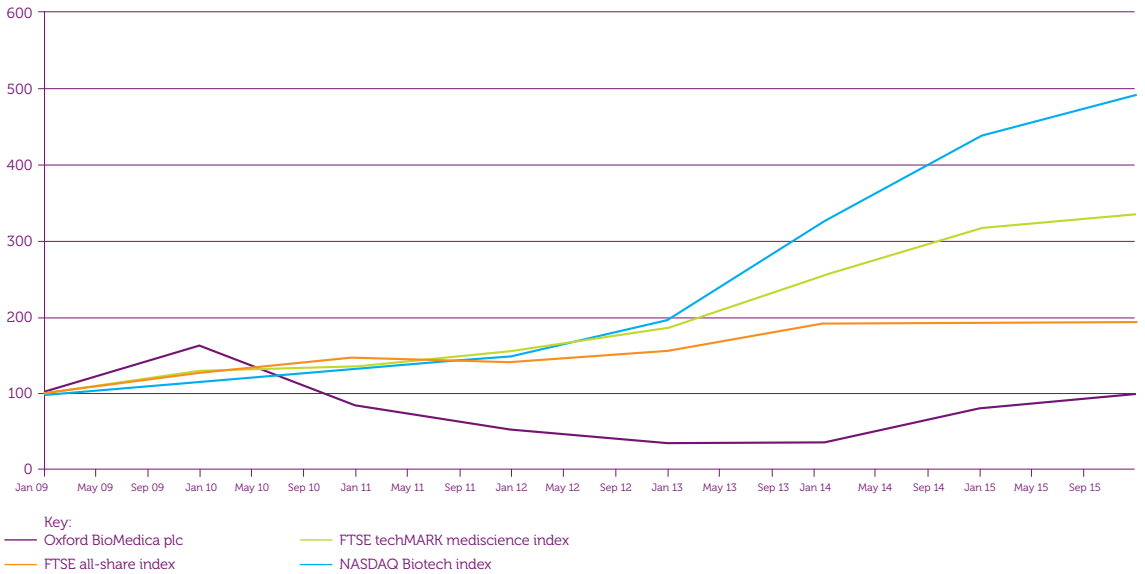
1. Paul Blake's 2014 LTIP award was granted on 7 October 2014, after his appointment as an executive director on 1 September 2014. The performance of this award is to be measured on the 3rd anniversary, by reference to the growth in the share price. The base share price is set at 4.0p, the average share 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.

Based on the closing share price of 6.2p on 25 April 2016, it is possible that at least some of the unbanked 50% will also vest in June 2016.

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 seven years
(not subject to audit)

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

* 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

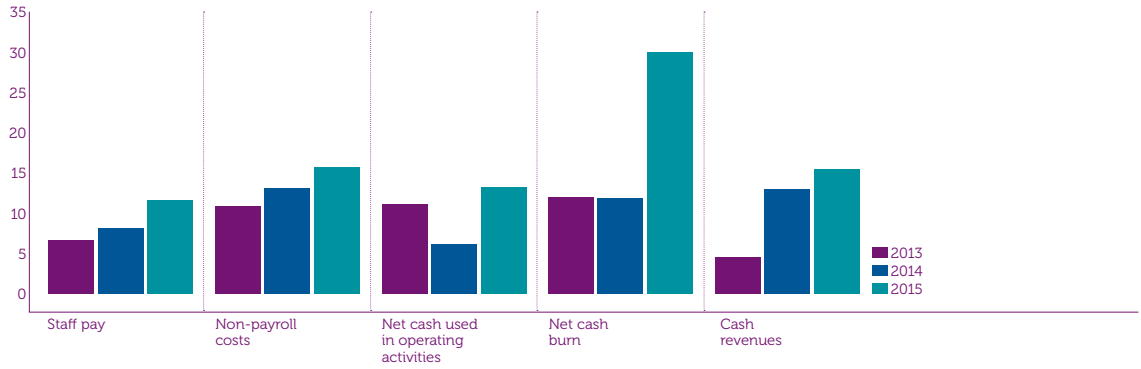
Percentage change in CEO's remuneration
(not subject to audit)

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2014 and 2015 compares with the equivalent changes in those components for a group of employees. As 2014 and 2015 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 2014 and 2015.

	Salary			Benefits			Bonus		
	2015	2014	% increase	2015	2014	% increase	2015	2014	% increase
John Dawson	335	330	1.5%	6	6	0%	176	311	(43%)
Comparator employee group	3,961	3,664	8.1%	33	19	74%	494	646	(24%)

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.



Statement of implementation of remuneration policy in 2016
(not subject to audit)

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

Salary	2016 £'000	2015 £'000
John Dawson	342	335
Peter Nolan	211	205
Tim Watts	219	215

	$'000	$'000
Paul Blake	357	350

Annual bonus
The precise definition of the bonus targets for 2016 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 2016 Directors' Remuneration Report the bonuses earned will be disclosed on a similar basis to the disclosure on page 53 of the basis on which bonuses were earned for 2015 but in broad terms they include:

Target area	Weighting
Developing the product portfolio	40%
Continuing the bioprocessing and process development capacity expansion and securing further partners	40%
Continuing to develop organisational effectiveness	10%
Various corporate 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	2016 £'000	2015 £'000
Lorenzo Tallarigo[1]	138	–
Nick Rodgers[2]	25	75
Andrew Heath	46	46
Total	**209**	**121**

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

1. Lorenzo Tallarigo was appointed by the Board on 1 February 2016. One-third of Dr Tallarigo's fees after tax will be invested in the Company's shares through market purchase each month.
2. Nick Rodgers has announced his intention to resign from the Board with effect from 30 April 2016

Statement of voting at AGM
(not subject to audit)

At the 2015 AGM, the following resolutions relating to remuneration matters were considered and 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	1,573,054,244	99.93%	1,144,667	0.07%	1,574,198,911	166,590
Approval of the Directors' Remuneration Policy	1,564,090,812	99.86%	2,231,914	0.14%	1,566,322,726	8,042,775
Approval of the 2015 Long Term Incentive Plan	1,564,187,685	99.86%	2,148,027	0.14%	1,566,335,712	8,029,789
Approval of the 2015 Executive Share Option Scheme	1,565,623,235	99.95%	846,210	0.05%	1,566,469,445	7,896,056
Approval of the 2015 Deferred Bonus Plan	1,565,500,517	99.94%	966,478	0.06%	1,566,466,995	7,898,506
Approval of the 2015 Sharesave Scheme	1,573,982,313	99.99%	190,709	0.01%	1,574,173,022	192,479

Advisers to the Committee
During 2015 the Committee received independent advice from Deloitte LLP who were appointed to advise the Committee in April 2013. Deloitte's fees, which are charged on a time/cost basis or fixed fee dependent on the nature of the project, were £15,500 for advice in relation to executive remuneration and the revised remuneration policy which was approved at the 2015 AGM. Deloitte is a member of the Remuneration Consultants Group and as such operates under its Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice provided by Deloitte is objective and independent. During the year Deloitte also advised in relation to the company's share plans which were approved at the 2015 AGM.

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; and

— 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.

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.

Component and purpose	Operation
Executive Directors	
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.
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 at the top of page 64. 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.

Maximum potential and payment at threshold	Performance targets and metrics
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.
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 of an Executive Director.	For 2012 and 2013 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 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. Below threshold performance, none of the award will vest. The 2011 awards had performance conditions linked to a) Total Shareholder Return over a three year period compared with a peer group of comparable companies and b) delivery of specific objectives. These performance conditions will be assessed in April 2014 and the level of vesting determined at that point. The Remuneration Committee will consider the most appropriate performance conditions when awarding any future LTIP grants.

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.	Not applicable	None

Notes to the policy table

Circumstances in which malus and/or clawback may apply

— A material misstatement 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; or

— Material misconduct on the part of the participant.

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 will be clearly explained in the following 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 2015	Notice period
John Dawson	10 October 2008	NA	12 months
Paul Blake[1]	1 September 2014	8 months	8 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 2015	Notice period
Lorenzo Tallarigo	1 February 2016	NA	3 months
Nick Rodgers[2]	6 May 2015	4 months	3 months
Martin Diggle	4 October 2015	33 months	3 months
Andrew Heath[3]	1 January 2013	0 months	3 months
Daniel Soland[4]	7 May 2015	NA[2]	NA[2]

1. Paul Blake was appointed on 1 September 2014 on a two year contract, renewable thereafter annually each year for a twelve month period
2. Nick Rodgers has announced his intention to resign from the board with effect from 30 April 2016
3. Andrew Heath's letter of appointment was renewed on 1 January 2016
4. Daniel Soland resigned from the Board on 5 January 2016 on his appointment as CEO of uniQure

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 2016 Annual General Meeting Lorenzo Tallarigo, Stuart Henderson, Martin Diggle and John Dawson 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).
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 second largest investor, is a member of the Committee and is able to communicate the views of Vulpes on this matter. The Senior Independent Director also consults from time to time with the Company's other major investors.

Directors' report

for the year ended 31 December 2015

The Directors present their Annual report and audited consolidated financial statements for the year ended 31 December 2015 as set out on pages 77 to 104. This report should be read in conjunction with the Corporate governance report on pages 42 to 49.

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 1 to 34. 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 2015 audit, and the full Board reviewed the contents of the report at its April 2016 meeting. Since the Board meets routinely 8 times in the year the Directors consider that they are sufficiently well informed to be able to make this judgement.

Key performance indicators (KPIs)
Key performance indicators are outlined in the Chief Financial Officer's review on pages 26 to 31.

Corporate governance
The Group's statement on corporate governance is included in the Corporate governance report on pages 42 to 49 of these financial statements.

Risk management
The Group's exposure to risks is set out on pages 36 to 39 (principal risks and uncertainties) and on page 87 (Note 3: financial risk management).

Dividends
The Directors do not recommend payment of a dividend (2014: £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' notice except for Dr Blake who was appointed on 1 September 2014 on a two year contract, renewable annually thereafter. The Directors' remuneration and their interests in the share capital of the Company at 31 December 2015 are disclosed in the Directors' remuneration report on pages 50 to 67.

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 2015 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 2015 the Company had 2,574,252,580 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 May 2015, authority was given to allot up to 855,890,186 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 855,890,186 shares, solely in a rights issue. Authority was also given, subject to certain conditions, to waive pre-emption rights over up to 128,383,528 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 April 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
M&G Investments	490,443,106	18.2%
Vulpes Investment Management	475,240,136	17.6%
Aviva Investors	270,689,384	10.0%
Joy Group	235,001,033	8.7%
Hargreaves Lansdown Asset Management	99,188,936	3.7%
TD Direct Investing	87,741,517	3.3%

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 32 to 34.

Subsequent event
Please refer note 34 of the financial statements where details of subsequent events are outlined.

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 Directors estimate that the cash held by the Group together with known and probable receivables will be sufficient to support the current level of activities into the third quarter of 2016. This estimate does not include the potential benefit of any upfront receipts from further contracts for process development and bioprocessing services or from licencing-out the Group's intellectual property, and the Directors are therefore continuing to explore other sources of finance available to the Group. The Directors have confidence that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements, and have therefore prepared the financial statements on a going concern basis. However, because the additional finance is not committed at the date of approval of these financial statements, these circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

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 2018. The assessment has been informed by the strategy review process conducted by the Board between February and April 2016, the results of which are set out in the Strategic report on pages 1 to 34 of this document. The review focussed on the strategic options over the next three years but did so in the context of a longer term ten year view of the gene and cell therapy sector.

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 expects to generate 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 longer term the Directors believe that revenues from both the Group's own products and royalties from its partners' products will be sufficient to create a sustainable profitable company.

Assessment of viability

There are two main areas of risk to the viability of the Group within the three-year period to December 2018:

Financing requirements
As explained in the disclosures on going concern above, the Directors' forecasts show that additional financing is likely to be required if the Group is to deliver on its strategy, potentially more than once in the three-year period depending on the amounts raised. As this financing is not committed at the date of approval of the financial statements, these circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Development of the LentiVector® platform/the Group's products
The Directors anticipate that that the Group will be successful in generating additional revenues and that the prospects for the Group's products will be sufficiently attractive to attract additional finance. The financial forecasts developed in the strategic planning exercise reflect these assumptions and therefore the Directors have a reasonable expectation 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 2018. However, the Group may not secure additional revenues, or they may be secured later than expected, and there is also a risk that the Group's technology could fail or become obsolete. This in turn could affect the Group's ability to raise additional financing.

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 (2)	Comparison with profit estimate.	Disclosed in Financial Review (page 31).
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 97).

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group 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 the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

— Select suitable accounting policies and then apply them consistently;

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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. They are also responsible for safeguarding the assets of the Company and the Group 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 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 Company's performance, business model and strategy.

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 33.

Annual General Meeting
The Annual general Meeting will be held at 10:00 a.m. on Tuesday 7 June 2016 at the London offices of Covington & Burling LLP.

By order of the Board

Tim Watts
Company secretary

27 April 2016

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 2015 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.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. At the balance sheet date, the Group held cash, including known receivables and future funding available under the Oberland loan facility, that the Directors believe is sufficient to support the current level of activities into the third quarter of 2016.

The Directors have concluded that they will be able to secure sufficient financing for the Group and Company to continue their activities for the foreseeable future, being not less than 12 months from the date of approval of these financial statements, and have therefore prepared the financial statements on a going concern basis. However, this financing is not committed at the date of approval of these financial statements. Accordingly, these circumstances represent a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

What we have audited

The financial statements, included within the Annual Report, comprise:

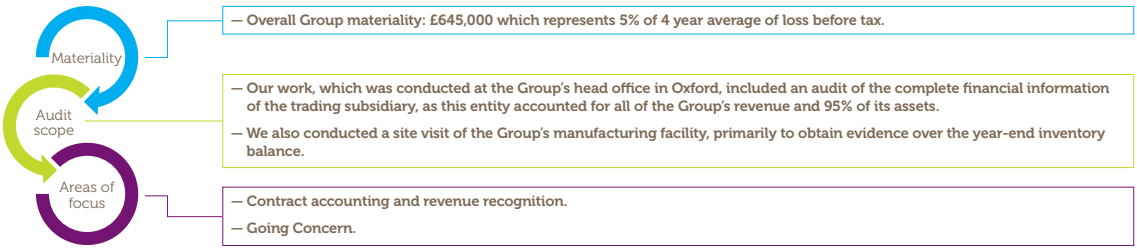
- The Balance sheets as at 31 December 2015;
- The Consolidated statement of comprehensive income for the year then ended;
- The Statements of cash flows for the year then ended;
- The Statements of changes in equity attributable to owners of the parent for the year then ended; and
- The Notes to the consolidated 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, 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 applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview



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.

Area of focus	How the scope of our audit addressed the area of focus
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. There is one main source of revenue generated by the Group, relating to the process development and manufacturing collaboration with Novartis. This was an area of focus for our audit both due to the element of judgement in the progress of manufactured batches and in the recognition of process development milestones, as well as the material nature of the related income streams. Our consideration of revenue recognition and contract accounting 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 assessment of whether key contractual terms have been fulfilled on the recognition of process development milestone revenue; – The continued appropriateness of the revenue recognition treatment of contractual terms entered into in previous years; – The recoverability of invoiced receivables; – Estimated contract profitability, and identification of any onerous contractual elements; and – The assessment of the carrying value of associated inventories because losses on any manufactured batches may result in the inventory value being impaired.	For manufacturing revenue we obtained supporting documentation for the shipment, sale and cash receipt related to revenue recognised. For unfinished 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, as well as looking at evidence of subsequent shipment to and acceptance by Novartis, and considered the appropriateness of the treatment used by management. We are comfortable that the percentage of completion accounting remains appropriate. For process development milestones we have obtained evidence of the customer's confirmation of the related achievement of milestones where revenue has been recognised. We considered normal industry practice for the recognition of process development milestones as revenue in assessing management's treatment of milestone revenue. We observed that this treatment is appropriate. We considered the fair value allocation in the prior year (when the collaboration with Novartis was agreed) of various elements of the Novartis contract and the associated accounting treatment. We considered management's assessment of the progress of the various elements, and understood the basis for changes to the accounting, including correspondence with the customer, reflecting a further deferral of £2.7m and were satisfied this was appropriate. For significant invoices, we understood the basis for the invoice being raised, agreeing amounts back to the contracts to check it was raised in accordance with the terms. In addition, all amounts were traced to the bank statements, confirming the collectability of receivables. To evaluate contract profitability and assess any onerous contractual elements or potential impairment of inventories, we obtained and read management's accounting paper which, based on assumptions such as the cost of manufacturing and expected revenues, showed that all of the contractual elements are profitable. We re-performed management's calculations and considered corroborative evidence for, as well as possible alternatives to, the key assumptions around estimated costs and revenues. In relation to future contractual profitability, we compared forecast costs with those incurred in the current year for each manufactured batch, and observed that the revenues recognised were consistent with the contractually obliged amounts.
Going concern	
Refer to Note 1 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates. We considered the Directors' decision to adopt the going concern basis in preparing the financial statements in the light of the Group's forecast cash resources for a period of 12 months from the date of approval of the financial statements. The Group's going concern status is dependent on the availability of sufficient cash resources. Given the level of judgement inherent in management's assessment, this forms an area of focus. We reviewed management's forecast, which shows cash and cash equivalents available to the third quarter of 2016, i.e. a period of less than one year. 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; – Cash outflows expected from capital expenditure; – The availability of future funding.	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 discussed with management how they determined the following assumptions, and considered these in our assessment. For the Novartis contract, we considered what income and costs the Group is contractually committed to, specifically referencing the elements of the contract. For those which are more judgemental, for example milestones in the product development, we considered what the range of potential cash inflows could be, and the sensitivity of the cash position to these, noting that the projected cash flows are consistent with the contract and our understanding of the stage of product development. For other cash inflows, we assessed which of these are contractually committed, and which are dependent on specific actions or outcomes, and where applicable, evaluated the evidence available to support the assumptions that those outcomes were achievable, and determined that management's assumptions were reasonable. We assessed what elements of capital expenditure the Group is committed to, and what capital expenditure could be delayed, if necessary, to manage cash outflows. We discussed with management their plans and the potential sources of funding and evaluated these in relation to the available evidence and to past experience. Our conclusion on management's use of the going concern basis of accounting is included in the going concern section of the report below.

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.

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 facility 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 95% 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 facility, 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 FY15 activities of the business, specifically the signing of a loan agreement with Oberland Capital and significant capital additions to their properties.

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	£645,000 (2014: £540,000).
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 fluctuations 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 £32,000 (2014: £27,000) 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 69, 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 and their identification of any material uncertainties. We have nothing material to add or to draw attention to other than the material uncertainty we have described in the emphasis of matter paragraph above.

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. The appropriateness of the adoption of the going concern basis by the Group and Company is dependent on their being able to secure sufficient financing to continue their activities for the foreseeable future, being not less than 12 months from the date of approval of these financial statements. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate although, as this financing is not committed as of the date of approval of these financial statements, this represents a material uncertainty, as explained in note 1 to the financial statements. We have nothing material to further add or to draw attention to. 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

Companies Act 2006 opinions

In our opinion, 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.

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 68, 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 36 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 pages 69 and 70 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.	Refer to our Emphasis of Matter – Going Concern above. We have nothing else 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.	

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 set out on pages 70 and 71, 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.

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

27 April 2016

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

Consolidated statement of comprehensive income

for the year ended 31 December 2015

Continuing operations	Notes	2015 £'000	2014 £'000
Revenue	4	**15,909**	13,618
Cost of sales		**(5,839)**	(4,416)
Gross profit		**10,070**	9,202
Research, development and bioprocessing costs	7	**(20,274)**	(16,986)
Administrative expenses	7	**(6,741)**	(3,957)
Other operating income	4	**2,862**	1,128
Operating loss	4	**(14,083)**	(10,613)
Finance income	6	**26**	53
Finance costs	6	**(2,925)**	(238)
Loss before tax		**(16,982)**	(10,798)
Taxation	8	**3,963**	2,137
Loss and total comprehensive expense for the year	27	**(13,019)**	(8,661)
Basic loss and diluted loss per ordinary share	9	**(0.51p)**	(0.43p)

There were no other gains or losses.

Balance sheets

as at 31 December 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Assets					
Non-current assets					
Intangible assets	11	**1,743**	2,106	**–**	–
Property, plant and equipment	12	**24,396**	8,944	**–**	–
Investments in subsidiaries	13	**–**	–	**54,962**	53,642
		26,139	11,050	**54,962**	53,642
Current assets					
Inventories	14	**2,706**	1,407	**–**	–
Trade and other receivables	15	**10,930**	5,153	**11**	11
Current tax assets	8	**2,721**	2,000	**–**	–
Cash and cash equivalents	16	**9,355**	14,195	**1**	1,291
		25,712	22,755	**12**	1,302
Current liabilities					
Trade and other payables	17	**9,286**	6,304	**26**	41
Deferred income	18	**3,045**	2,927	**–**	–
Provisions	20	**838**	–	**–**	–
		13,169	9,231	**26**	41
Net current assets/(liabilities)		**12,543**	13,524	**(14)**	1,261
Non-current liabilities					
Loans	19	**27,255**	1,000	**–**	–
Provisions	20	**533**	535	**–**	–
		27,788	1,535	**–**	–
Net assets		**10,894**	23,039	**54,948**	54,903
Equity attributable to owners of the parent					
Ordinary shares	23	**25,741**	25,659	**25,741**	25,659
Share premium account	24	**141,677**	141,615	**141,677**	141,615
Merger reserve	28	**2,291**	2,291	**1,580**	1,580
Treasury reserve	28	**(102)**	(226)	**–**	–
Other reserves	28	**–**	(682)	**5,552**	5,213
Accumulated losses	27	**(158,713)**	(145,618)	**(119,602)**	(119,164)
Total equity		**10,894**	23,039	**54,948**	54,903

The Company's registered number is 03252665.

The financial statements on pages 77 to 104 were approved by the Board of Directors on 27 April 2016 and were signed on its behalf by:

John Dawson
Chief Executive Officer

Statements of cash flows

for the year ended 31 December 2015

	Notes	Group		Company	
		2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Cash flows from operating activities					
Cash used in operations	29	**(14,866)**	(7,431)	**(453)**	(538)
Interest paid		**(1,494)**	(238)	**–**	–
Tax credit received		**3,247**	1,637	**–**	–
Overseas tax paid		**(5)**	–	**–**	–
Net cash used in operating activities		**(13,118)**	(6,032)	**(453)**	(538)
Cash flows from investing activities					
Loan to subsidiary		**–**	–	**(981)**	(21,022)
Purchases of property, plant and equipment		**(16,716)**	(5,577)	**–**	–
Interest received		**38**	53	**–**	–
Net cash (used in) investing activities		**(16,678)**	(5,524)	**(981)**	(21,022)
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**144**	24,268	**144**	24,268
Costs of share issues		**–**	(1,460)	**–**	(1,460)
Purchase of treasury shares		**–**	(226)	**–**	–
Loans received	19	**27,812**	2,500	**–**	–
Loans repaid	19	**(3,000)**	(1,500)	**–**	–
Net cash generated from financing activities		**24,956**	23,582	**144**	22,808
Net (decrease)/increase in cash and cash equivalents		**(4,840)**	12,026	**(1,290)**	1,248
Cash and cash equivalents at 1 January		**14,195**	2,169	**1,291**	43
Cash and cash equivalents at 31 December	16	**9,355**	14,195	**1**	1,291

Statements of changes in equity attributable to owners of the parent

for the year ended 31 December 2015

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 2014		14,162	130,304	14,310	–	(682)	(149,196)	8,898
Year ended 31 December 2014:								
Loss for the year		–	–	–	–	–	(8,661)	(8,661)
Total comprehensive expense for the year		–	–	–	–	–	(8,661)	(8,661)
Transactions with owners:								
Share options								
Value of employee services	26	–	–	–	–	–	220	220
Issue of shares excluding options	23, 24	11,497	12,771	–	–	–	–	24,268
Cost of share issues	24	–	(1,460)	–	–	–	–	(1,460)
Realisation of merger reserve	28	–	–	(12,019)	–	–	12,019	–
Deferred Share Award	25	–	–	–	(226)	–	–	(226)
At 31 December 2014		**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**

Company	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 2014		14,162	130,304	13,599	–	4,993	(130,648)	32,410
Year ended 31 December 2014:					–			
Loss for the year		–	–	–	–	–	(535)	(535)
Total comprehensive expense for the year	10	–	–	–	–	–	(535)	(535)
Transactions with owners:								
Share options								
Credit in relation to employee share schemes	26	–	–	–	–	220	–	220
Issue of shares excluding options	23, 24	11,497	12,771	–	–	–	–	24,268
Costs of share issues	24	–	(1,460)	–	–	–	–	(1,460)
Realisation of merger reserve	28	–	–	(12,019)	–	–	12,019	–
At 31 December 2014		**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**

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 2015 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 68 to 71 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 Directors estimate that the cash held by the Group together with known and probable receivables will be sufficient to support the current level of activities into the third quarter of 2016. This estimate does not include the potential benefit of any upfront receipts from further contracts for process development and bioprocessing services or from licencing-out the Group's intellectual property, and the Directors are therefore continuing to explore other sources of finance available to the Group. The Directors have confidence that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements, and have therefore prepared the financial statements on a going concern basis. However, because the additional finance is not committed at the date of approval of these financial statements, these circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

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 2015 and have not been adopted early.

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

— IFRS 16, 'Leases'

— Amendments to IAS 7, 'Statement of cash flows'

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

— Amendment to IAS 19, 'Employee benefits' on defined benefit plans

— Annual improvements 2010 - 2012

— Annual improvements 2011 -2013

— Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation (not yet endorsed by the EU)

— Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation

— Amendments to IAS 16, 'Property, plant and equipment', and IAS 14, 'Agriculture', regarding bearer plants

— IFRS 14, 'Regulatory deferral accounts'

— Amendments to IAS 27, 'Separate financial statements' on the equity method

— Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' (not yet endorsed by the EU)

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

— Amendment to IFRS 9, 'Financial instruments' (not yet endorsed by the EU)

— Amendments to IAS 1,'Presentation of financial statements' disclosure initiative

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

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

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. Maintenance fees within the contracts are spread over the period to which they relate. 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.

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.

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.

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 income statement 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 share option schemes and Long Term Incentive 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. The difference between grant income receivable and income recognised is included in deferred income.

Other development income
Where research & development programmes are only 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, and fair value adjustments. It also includes the revaluation of external loans denominated in a foreign currency.

Taxation

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 recognised 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 5 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:

— 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 5 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%
Short leasehold improvements	20% (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.

Financial assets: investments
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 IFRS11, 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 Group for this purpose.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) 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.

Financial assets: available for sale investments
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.

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. Total amounts of up to $90m, plus further potential royalties, are receivable under these arrangements. These amounts include $4.3m of shares subscribed for by Novartis on completion of the arrangements.

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

Management has 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 is based on management being satisfied that the customer is able and intends 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 CTL-019 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 CTL-019

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

— The $7.7m rate 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 $2.0m of the $9.7m upfront payments are dependent on certain events and activities over the 3 year period. As at 31 December 2015, $0.4m had been recognised as revenue (2014: £nil).

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 2015 the book value of intangible assets was £1.7 million of which £1.3 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 81).

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 2015 the Group's revenues were mostly receivable in Sterling and United States Dollars, and certain of its expenditures were payable in Euros and United States 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 £nil (2014: £385,000) over the year. In the future, this will present a source of foreign exchange risk. 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 2015 would have been approximately £91,000 (2014: £234,000). 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 (£16.3m) was drawn down immediately, and a further $15 million (£9.8 million) was drawn down in September.

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. The loan 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% plus the greater of 1% and three month LIBOR. In addition to interest, an exit fee is payable upon any repayment of the loan or part thereof. The Group is also required to pay an additional amount of 0.35% of annual worldwide net revenues for eight years commencing 1 April 2017 for each $5 million of loan drawn down over $30 million. This revenue participation may be retired at any time upon payment of the exit fee. In the event that the loan is repaid after the second anniversary of the facility, 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 in aggregate provide a return of 15% p.a. to Oberland.

The Group is required under the Oberland Facility to maintain cash and cash equivalents of not less than $10 million (£7.1 million) while the Oberland Facility is outstanding. The loan facility is secured on the Group's assets.

During May 2015 the £5.3m loan facility provided by the UK Government's Advanced Manufacturing Supply Chain Initiative was terminated and the outstanding balance of £3 million repaid.

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 2015 was just £26,000 (2014: £53,000).

If interest rates had been 100 basis points higher/lower in 2015 the impact on net loss would have been a increase/decrease of £140,000 (2014: £21,000) due to changes in the amount of interest payable.

(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.

Derivative financial instruments and hedging
There were no derivatives at 31 December 2015 or 31 December 2014, 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.

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. In previous years the Group has reported only one business segment, that of biotechnology research and development, and the related bioprocessing activities. With the evolution of the business since the signing of the Novartis contracts in October 2014, the SET now 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
Operating loss represents our measure of segment profit & loss as it is a primary measure used for the purpose of making decisions about allocating resources and assessing performance of segments.

	Partnering £'000	R&D £'000	Total £'000
Revenue	14,439	1,470	15,909
Other operating income	1,847	1,015	2,862
Operating EBITDA	(2,938)	(9,518)	(12,456)
Depreciation and amortisation	(1,000)	(627)	(1,627)
Operating loss	(3,938)	(10,145)	(14,083)

Other operating income includes process development income of £1.1 million (2014: £nil) and grant income of £1.7 million (2014: £1.1 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 (£0.7 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 is 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	2015 £'000	2014 £'000
Europe	**15,382**	13,323
Rest of world	**527**	295
Total revenue	**15,909**	13,618

5, Employees and Directors

The average number of persons (including Executive Directors) employed by the Group during the year was:

By activity	2015 Number	2014 Number
Office and management	**20**	16
Research, development and bioprocessing	**176**	97
Total	**196**	113

Employee benefit costs	2015 £'000	2014 £'000
Wages and salaries	**9,397**	6,566
Social security costs	**1,137**	762
Other pension costs (note 30)	**561**	378
Termination benefits	**21**	112
Share based payments (note 26)	**339**	220
Total employee benefit costs	**11,455**	8,038

Key management compensation[1]	2015 £'000	2014 £'000
Wages and salaries	**2,147**	2,847
Social security costs	**315**	349
Other pension costs	**102**	135
Termination benefits	**–**	105
Share based payments	**243**	142
Total	**2,807**	3,578

Note 1 – Included within total employee benefit costs of £11,455,000.

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 50 to 67, which forms part of these financial statements.

The Company had no employees during the year (2014: zero)

6, Finance income and costs

Group	2015 £'000	2014 £'000
Finance income:		
Bank interest receivable	**26**	53
Total finance income	**26**	53
Finance costs:		
Unwinding of discount in provisions (note 20)	**(3)**	(3)
Revaluation of liabilities in foreign currency	**(1,031)**	–
Interest payable	**(1,891)**	(235)
Total finance costs	**(2,925)**	(238)
Net finance costs	**(2,899)**	(185)

Interest payable consists of interest expense on the Oberland Loan facility and on the UK Government's Advanced Manufacturing Supply Chain Initiative (see note 19).

7, Expenses by nature

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Employee benefit costs	5	**11,455**	8,038	**164**	163
Depreciation of property, plant and equipment	12	**1,264**	703	**–**	–
Amortisation	11	**363**	396	**–**	–
Raw materials and consumables used in bioprocessing		**2,563**	2,334		
Research, development and bioprocessing		**20,274**	16,986	**–**	–
Operating lease payments		**646**	568	**–**	–
Net (gain) on foreign exchange		**(288)**	(233)	**–**	–

Note that Research, development and bioprocessing costs shown in the table above include relevant portions of other expense types in the table.

Company employee benefit costs of £164,000 (2014: £163,000) relates to non-Executive Directors fees 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 2015 £'000	Group 2014 £'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	**90**	90
Additional fees relating to prior year audit	**15**	–
Other services	**24**	5
Tax advisory services	**1**	8
Tax compliance services	**19**	30
Services relating to company finance and business development transactions	**400**	185
Total	**574**	343

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 2015 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 2015 have not yet been agreed with the relevant tax authorities.

Current tax	Group 2015 £'000	Group 2014 £'000
United Kingdom corporation tax research and development credit	**(2,721)**	(2,000)
Overseas taxation	**5**	(51)
	(2,716)	(2,051)
Adjustments in respect of prior periods		
United Kingdom corporation tax research and development credit	**(1,247)**	(86)
Taxation credit	**(3,963)**	(2,137)

The Company has no tax liability, nor is it entitled to tax credits (2014: £nil).

The tax credit for the year is higher (2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Loss on ordinary activities before tax	**(16,982)**	(10,798)	**(438)**	(535)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	**(3,439)**	(2,322)	**(89)**	(115)
Effects of:				
Tax depreciation and other timing differences	**461**	179	**–**	–
Expenses not deductible for tax purposes (includes impairment of investments in subsidiaries)	**39**	73	**–**	–
R&D relief mark-up on expenses	**(2,609)**	(1,672)	**–**	–
Difference in rate relating to R&D tax credits	**1,316**	1,199	**–**	–
Tax deduction for share options less than share option accounting charge	**69**	88	**–**	–
Overseas tax	**5**	(51)	**–**	–
Tax losses carried forward to future periods	**1,442**	455	**89**	115
Adjustments in respect of prior periods	**(1,247)**	(86)	**–**	–
Current tax credit for the year	**(3,963)**	(2,137)	**–**	–

At 31 December 2015, the Group had tax losses to be carried forward of approximately £98.6 million (2014: £96.0 million). Of the Group tax losses, £98.6 million (2014: £96.0 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 0.51p (2014: 0.43p) 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 2015 (2,570,202,150; 2014: 2,019,291,808).

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 £438,000 (2014: £535,000).

11, Intangible assets

Intangible assets comprise Intellectual Property rights.

	2015 £'000	2014 £'000
At 1 January	**5,591**	5,591
At 31 December	**5,591**	5,591
Accumulated amortisation and impairment		
At 1 January	**3,485**	2,958
Amortisation charge for the year	**363**	396
Impairment charge for the year	**–**	131
At 31 December	**3,848**	3,485
Net book amount at 31 December	**1,743**	2,106

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 £363,000 (2014: £396,000) 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 2015 or 31 December 2014.

12, Property, plant and equipment

	Freehold property £'000	Short leasehold improvements £'000	Office equipment and computers £'000	Manufacturing 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
Reclassifications	–	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**

	Freehold property £'000	Short leasehold improvements £'000	Office equipment and computers £'000	Manufacturing and laboratory equipment £'000	Assets under construction[1] £'000	Total £'000
Cost						
At 1 January 2014	3,225	2,623	621	4,265	–	10,734
Additions at cost	3,662	–	199	1,070	646	5,577
At 31 December 2014	**6,887**	**2,623**	**820**	**5,335**	**646**	**16,311**
Accumulated depreciation						
At 1 January 2014	476	2,515	543	3,130	–	6,664
Charge for the year	222	64	52	365	–	703
At 31 December 2014	**698**	**2,579**	**595**	**3,495**	**–**	**7,367**
Net book amount at 31 December 2014	**6,189**	**44**	**225**	**1,840**	**646**	**8,944**

[1] Assets under construction represents the capitalisation of ongoing construction works at Harrow House and Yarnton bioprocessing facilities and the Windrush Court laboratories. The opening balance within Assets under construction was included in Freehold property and Short leasehold improvements in the 2014 year-end financial statements.

The Company had no property, plant and equipment at 31 December 2015 or 31 December 2014.

13, Investment in subsidiaries

Fixed asset investments: Company	2015 £'000	2014 £'000
Shares in group undertakings		
At 1 January	**17,158**	17,158
Liquidation of Biomedica inc.	**(1,976)**	–
At 31 December	**15,182**	17,158
Loans to group undertakings		
At 1 January	**159,312**	138,290
Loan advanced in the year	**981**	21,022
At 31 December	**160,293**	159,312
Total investments in shares and loans to group undertakings	**175,475**	176,470
Impairment		
At 1 January	**128,041**	128,041
Liquidation of Biomedica inc.	**(1,976)**	–
At 31 December	**126,065**	128,041
Net book amount at 31 December	**49,410**	48,429
Capital contribution in respect of employee share schemes (see note 26)		
At 1 January	**5,213**	4,993
Additions in the year	**339**	220
At 31 December	**5,552**	5,213
Total investments	**54,962**	53,642

The Group had no investments at 31 December 2015 (2014: nil).

Interests in subsidiary undertakings

Name of undertaking	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, development and bioprocessing
Oxxon Therapeutics Limited	Great Britain	1p ordinary shares	100%	Dormant

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

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

BioMedica Inc. completed the process of being liquidated during 2015 and is no longer part of the Group. This investment was fully impaired at the beginning of the year.

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 2015, no impairment charge was assessed to be required.

14, Inventories

	2015 £'000	2014 £'000
Raw Materials	**2,217**	1,214
Work-in-progress	**489**	193
Total inventory	**2,706**	1,407

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

The Company holds no inventories.

15, Trade and other receivables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade receivables	**7,374**	3,621	**–**	–
Accrued income	**1,155**	340	**–**	–
Other receivables	**31**	16	**–**	–
Other tax receivable	**1,522**	397	**–**	–
Prepayments	**848**	779	**11**	11
Total trade and other receivables	**10,930**	5,153	**11**	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 £826,000 (2014: £66,000) which were past due at the reporting date, all of which have since been received.

Ageing of past due but not impaired trade receivables:

	2015 £'000	2014 £'000
0 – 30 days	**716**	64
30 – 60 days	**110**	–
60+ days	**–**	2
	826	66

Accrued income of £1,155,000 (2014: £340,000) arises where work has been undertaken which is recoverable from third parties but which has not yet been invoiced.

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

	2015 £'000	2014 £'000
Sterling	**8,011**	4,992
US Dollar	**2,919**	161
	10,930	5,153

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

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Cash at bank and in hand	**9,355**	14,195	**1**	1,291

The Group is required under the Oberland Facility to maintain cash and cash equivalents of not less than $10 million (£7.1 million) while the Oberland Facility is outstanding.

17, Trade and other payables

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Trade payables	3,588	2,787	–	–
Other taxation and social security	384	270	–	–
Accruals	5,314	3,247	26	41
Total trade and other payables	**9,286**	**6,304**	**26**	**41**

18, Deferred income

Group	**2015 £'000**	2014 £'000
Current	**3,045**	2,927
Total deferred income	**3,045**	2,927

Deferred income arises from contractual agreements with customers.

The Company had no deferred income in 2015 or 2014.

19, Loan

On 1 May 2015, an agreement was entered into with Oberland Capital for a $50 million loan facility of which $25 million (£16.3m) was drawn down immediately, and a further $15m (£9.8m) 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. The loan 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% plus the greater of 1% and three month LIBOR. In addition to interest, an exit fee is payable upon any repayment of the loan or part thereof. The Group is also required to pay an additional amount of 0.35% of annual worldwide net revenues for eight years commencing 1 April 2017 for each $5 million of loan drawn down over $30 million. This revenue participation may be retired at any time upon payment of the exit fee. In the event that the loan is repaid after the second anniversary of the facility, 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 in aggregate provide a return of 15% p.a. to Oberland.

The Group is required under the Oberland Facility to maintain cash and cash equivalents of not less than $10 million (£7.1 million) while the Oberland Facility is outstanding. The loan facility is secured on the Group's assets.

During May 2015 the £5.3m loan facility provided by the UK Government's Advanced Manufacturing Supply Chain Initiative was terminated and the outstanding balance of £3 million repaid.

20, Provisions

Group	Dilapidations £'000
At 1 January 2015	535
Unwinding of discount	3
Additional provision charged to Property, plant and equipment	833
At 31 December 2015	**1,371**
At 1 January 2014	532
Unwinding of discount	3
At 31 December 2014	**535**

	2015 £'000	2014 £'000
Current	**838**	–
Non-current	**533**	535
Total provisions	**1,371**	535

The dilapidations provision relates to anticipated costs of restoring the leasehold Medawar and Yarnton properties in Oxford, UK to their original condition at the end of the present leases in 2016 and 2024 respectively, discounted using the rate per the Bank of England nominal yield curve. The equivalent rate was used in 2014. The provision will be utilised at the end of the leases if they are not renewed.

The Company had no provisions at 31 December 2015 or 31 December 2014.

21, Financial instruments

The Group's and Company's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, and the Oberland loan. 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	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Cash and cash equivalents (note 16)	**9,355**	14,195	**–**	–
Trade receivables and other receivables (note 15)	**7,405**	3,637	**–**	–
Trade and other payables excluding tax (note 17)	**–**	–	**8,902**	6,034
Loans (note 19)	**–**	–	**27,255**	1,000
	16,401	17,832	**35,784**	6,986

The weighted average interest rates and average deposit terms for fixed rate deposits are shown below. Floating rate instant access deposits earned interest at prevailing bank rates.

	2015			2014		
	Year end deposits		Yr. average	Year end deposits		Yr. average
	Weighted average rate	**Weighted average term**	**Weighted average rate**	Weighted average rate	Weighted average term	Weighted average rate
Sterling	**–**	**–**	**0.62%**	0.84%	79 days	0.51%
US Dollars	**–**	**–**	**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 2015 or 31 December 2014.

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:

	2015 £'000	2014 £'000
Sterling	**2,076**	10,378
US Dollar	**7,279**	3,817
	9,355	14,195

22, Deferred taxation

Neither the Company nor the Group had any recognised deferred tax assets or liabilities at 31 December 2015 (2014: £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.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included 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 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)**
At 1 January 2014	(807)	(116)	(18,955)	(64)	(19,942)
Origination and reversal of temporary differences	(64)	(4)	(323)	(82)	(473)
At 31 December 2014	**(871)**	**(120)**	**(19,278)**	**(146)**	**(20,415)**

23, Ordinary shares

Group and Company Issued and fully paid	2015 £'000	2014 £'000
Ordinary shares of 1p each		
At 1 January – 2,565,896,766 (2014: 1,416,149,005) shares	**25,659**	14,162
Allotted for cash in placing and open offer – nil (2014: 1,078,435,914) shares	**–**	10,784
Allotted for cash to licensors of patent rights – nil (2014: 70,807,500) shares	**–**	708
Allotted on exercise of share options – 8,355,814 (2014: 504,347) shares	**82**	5
At 31 December – 2,574,252,580 (2014: 2,565,896,766) shares	**25,741**	25,659

On 16 June 2014, the Company completed the raising of £21.6 million gross proceeds by way of a share issue. 1,078,435,914 new ordinary shares of 1p each were issued through a firm placing and open offer at a price of 2.0p each. After expenses, net proceeds were £20.1 million.

On 10 October 2014, the Company announced agreements with Novartis that included an equity investment by Novartis comprising 70,807,500 ordinary shares at 3.8p each.

24, Share premium account

Group and Company	2015 £'000	2014 £'000
At 1 January	**141,615**	130,304
Premium on shares issued for cash in placing and open offer	**–**	10,784
Premium on shares issued to licensors of patent rights	**–**	1,979
Premium on exercise of share options	**62**	8
Costs associated with the issue of shares	**–**	(1,460)
At 31 December	**141,677**	141,615

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

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.

Share options outstanding at 31 December 2015 have the following expiry date and exercise prices:

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

2015 Number of shares	2014 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
425,000	525,000	5.75p	13/10/11	13/10/18
151,877	244,883	6.10p	25/03/12	25/03/19
1,605,983	2,116,105	5.4p to 5.8p	15/03/14 to 04/10/14	15/03/21 to 04/10/21
3,232,328	4,318,816	2.3p to 3.1p	08/05/13 to 21/12/13*	08/05/22 to 21/12/22
5,849,587	7,401,578	1.6p to 2.8p	22/05/14 to 19/11/14*	22/05/23 to 19/11/23
6,348,317	7,295,899	2.0p to 4.0p	03/06/15 to 17/10/15*	03/06/24 to 17/10/24
9,947,708[1]	–	9.7p to 9.8p	13/03/18 to 10/06/18	13/03/25 to 10/06/25
27,560,800	21,902,281			

* With one exception, options granted in 2012, 2013 and 2014 are vesting 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 under the 2007 and 2015 Long Term Incentive Plans

2015 Number of shares	2014 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
1,000,000	1,150,000	1p	Vested	13/10/18
20,480,000	25,590,000	1p	Vested	30/06/22
19,501,808[1]	19,501,808	1p	12/06/16	12/06/23
20,879,740[1]	20,879,740	1p	20/6/17 to 17/10/17	20/6/24 to 17/10/24
10,545,754[1,2]	–	0p	10/01/18	10/01/25
72,407,302	67,121,548			
99,968,102	89,023,829			

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.

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 1,553,751 shares to meet options which vested during 2015, 3,107,502 shares to meet options which will vest annually between 20 June 2016 and 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 £56,000 (2014: £7,000) 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 6.50p (2014: 5.25p) 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)	Share options granted 10 June 2015
Share price at grant date	9.0p
Exercise price	9.8p
Vesting period (years)	3
Total number of shares under option	10,195,469
Expected volatility	62%
Expected life (years)	3
Risk free rate	1.6%
Fair value per option	3.6p

LTIP awards (Model used: Monte Carlo)	LTIPs awarded 10 June 2015
Share price at grant date	9.0p
Exercise price	0.0p
Vesting period (years)	3
Total number of shares under option	10,545,754
Expected volatility (weighted average)	62%
Expected life (years)	3
Risk free rate (weighted average)	1.6%
Fair value per option	4.9p

The tables below show the movements in both the Share Option Schemes and the LTIPs 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 9.7p (2014: 2.7p).

8,355,814 options were exercised in 2015 (2014: 504,347).

The total charge for the year relating to employee share based payment plans was £339,000 (2014: £220,000), all of which related to equity-settled share based payment transactions.

	2015		2014	
Share options excluding LTIP	**Number**	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**21,902,281**	**3.0p**	16,187,476	3.0p
Granted	**10,552,466**	**9.7p**	7,474,006	2.7p
Expired	**–**	**–**	–	–
Forfeited	**(1,798,133)**	**5.4p**	(1,254,854)	2.9p
Exercised	**(3,095,814)**	**3.3p**	(504,347)	2.5p
Outstanding at 31 December	**27,560,800**	**5.4p**	21,902,281	3.0p
Exercisable at 31 December	**7,992,137**	**3.4p**	7,901,140	3.7p
Exercisable and where market price exceeds exercise price at 31 December	**7,992,137**	**3.4p**	5,077,085	2.7p

LTIP awards (options exercisable at par value 1p or nil cost)	2015 Number	2014 Number
Outstanding at 1 January	**67,121,548**	52,778,808
Granted	**10,545,754**	20,879,740
Expired	**–**	(6,537,000)
Excercised	**(5,260,000)**	–
Outstanding at 31 December	**72,407,302**	67,121,548
Exercisable at 31 December	**21,480,000**	1,150,000

	2015			2014		
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 nil cost	**0.9p**	**72,407,302**	**7.7**	1.0p	67,121,548	8.3
Options:						
1p to 3p	**2.0p**	**10,151,530**	**7.9**	2.1p	12,126,453	8.9
3p to 5p	**3.5p**	**5,278,702**	**7.3**	3.4p	6,889,840	8.3
5p to 7p	**5.6p**	**2,182,860**	**4.9**	5.6p	2,885,988	5.9
7p +	**9.7p**	**9,947,708**	**9.4**	–	–	–
		99,968,102			89,023,829	

27, Accumulated losses

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
At 1 January	**(145,618)**	(149,196)	**(119,164)**	(130,648)
Loss for the year	**(13,019)**	(8,661)	**(438)**	(535)
Share based payments	**730**[1]	220	**–**	–
Realisation of merger reserve	**–**	12,019	**–**	12,019
Vesting of deferred share award	**(124)**	–	**–**	–
Liquidation of BioMedica Inc.	**(682)**	–	**–**	–
At 31 December	**(158,713)**	(145,618)	**(119,602)**	(119,164)

Note 1 – The credit to accumulated losses is made up out of the charge for the year relating to employee share based payment plans of £339,000 (note 26) and £391,000 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 2015 or 31 December 2014.

28, Other reserves

Group	Translation reserve £'000	Merger reserve £'000	Treasury reserve £'000	Total £'000
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**
At 1 January 2014	(682)	14,310	–	13,628
Realisation of merger reserve	–	(12,019)	–	(12,019)
Deferred Share Award (note 25)	–	–	(226)	(226)
At 31 December 2014	**(682)**	**2,291**	**(226)**	**1,383**

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

The Group merger reserve at 31 December 2015 and 2014 comprised £711,000 arising from the consolidation of Oxford BioMedica (UK) Limited 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. During 2014 the Group transferred the realised portion of the Merger reserve (£12,019,000) to retained earnings.

The treasury reserve consists of 5,607,502 (2014: 7,161,253) 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 2015	1,580	5,213
Credit in relation to employee share schemes	–	339
At 31 December 2015	**1,580**	**5,552**
At 1 January 2014	13,599	4,993
Credit in relation to employee share schemes	–	220
Realisation of merger reserve	(12,019)	–
At 31 December 2014	**1,580**	**5,213**

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 IFRIC 11, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment of £339,000 (2014: £220,000) (see note 13) and a corresponding credit to reserves.

29, Cash flows from operating activities

Reconciliation of operating loss to net cash used in operations:

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Continuing operations				
Operating loss	(14,083)	(10,613)	(438)	(535)
Adjustment for:				
Depreciation	1,264	703	–	–
Amortisation of intangible assets	363	396	–	–
Charge for impairment	–	131	–	–
Charge in relation to employee share schemes	730	220	–	–
Changes in working capital:				
Increase in trade and other receivables	(5,777)	(2,561)	–	(8)
Increase/(decrease) in trade and other payables	2,982	3,370	(15)	5
Increase in deferred income	118	1,647	–	–
Increase in provisions	836	3	–	–
Increase in inventory	(1,299)	(727)	–	–
Net cash used in operations	**(14,866)**	**(7,431)**	**(453)**	**(538)**

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 £561,000 (2014: £378,000) represents amounts payable by the Group to the scheme. Contributions of £95,000 (2014: £47,000), 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	2015 £'000	2014 £'000
Not later than one year	**278**	714
Later than one year and not later than five years	**360**	492
Over five years	**308**	391
Total lease commitments	**946**	1,597

The Group leases equipment under non-cancellable operating lease agreements. The Group also leases its Medawar Centre laboratories and offices, as well as a new bioprocessing 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 (2014: none).

32, Contingent liabilities and capital commitments

The Group had commitments of £2,555,000 for capital expenditure for leasehold improvements, plant and equipment not provided in the financial statements at 31 December 2015 (2014: £601,000).

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	2015 £'000	2014 £'000
Purchases:		
Parent company expenses paid by subsidiary	**(867)**	(945)
Cash management:		
Cash loaned by parent to subsidiary	**1,848**	21,967

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	2015 £'000	2014 £'000
Loan to subsidiary	**160,293**	159,312

In addition to the transactions above, options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRIC 11, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in a cumulative increase in the cost of investment of £5,552,000 (2014: £5,213,000).

There were no transactions (2014: none) with Oxxon Therapeutics Limited.

Company: transactions with related parties

Vulpes Loan Facility
On 6 January 2014, shareholders approved a £5 million secured loan facility provided by Vulpes Life Sciences Fund to the Group. Martin Diggle, a non-Executive Director of the Company is a founder of Vulpes Investment Management which manages Vulpes Life Sciences Fund (refer to note 34).

During the first 6 months of 2014, the Group drew down £1.5 million of this facility. This amount was repaid in full, together with accumulated interest and arrangement fee, on 17 June 2014 following the successful fundraise. The loan agreement has now been cancelled.

There were no outstanding balances in respect of transactions with Directors and connected persons at 31 December 2015 (2014: none).

Key person remuneration can be seen in the Directors' remuneration report on pages 50 to 67.

Note 34, Subsequent events, describes a smaller related party transaction in February 2016 with Vulpes Life Science Fund.

34, Subsequent events

On 23 February 2016, the Group announced that it had placed 128,383,528 new ordinary shares in the Company at a price of 6.3 pence per share with both new and existing investors and Directors. The price of 6.3 pence per share represented a 10% discount to the closing price of 7.0 pence per share on 22 February 2016. Gross proceeds from the placing were £8.1 million, net proceeds were £7.6 million.

As part of this placing, Vulpes Life Sciences Fund (VLSF) subscribed for 23,809,523 shares. VLSF is managed by Vulpes Investment Management of which Martin Diggle, a non-Executive Director, is a founder. As such, VLSF's participation in the placing constituted a "smaller related party transaction".

Glossary

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..

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-101 (formerly ProSavin®)/OXB-102 (enhanced ProSavin®): Parkinson's disease

OXB-101/102 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-101/102 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-103 (formerly MoNuDin®): motor neuron disease
OXB-103 is a gene-based treatment for motor neuron disease. This progressive, usually fatal, neurodegenerative disease is caused by the degeneration of motor neurons, the nerve cells in the central nervous system that control voluntary muscle movement. OXB-103 uses the Company's LentiVector® platform technology to deliver a neuroprotective gene, vascular endothelial growth factor (VEGF), to prevent further degeneration of the motor neurons and potentially restore motor function.

OXB-201 (formerly RetinoStat®): "wet" age-related macular degeneration
OXB-201 is a gene-based treatment for neovascular "wet" age-related macular degeneration (AMD) and diabetic retinopathy (DR). RetinoStat® 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.

OXB-202 (formerly EncorStat®): 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.

OXB-301 (formerly TroVax®/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

OXB-302 (formerly CAR-T 5T4): cancer
OXB-302 is a novel oncology product that combines our proprietary lentiviral vector and 5T4 technology platforms.

Glaucoma-GT: chronic glaucoma
Glaucoma-GT is a gene based treatment for the treatment of chronic glaucoma. Chronic glaucoma results from a partial blockage within trabecular meshwork of the eye, the tissue mainly responsible for draining the internal fluid of the eye (aqueous humour). As the aqueous humour builds up, it causes increased intraocular pressure which can damage the optic nerve and lead to premature patches of vision loss or, in some cases blindness. Glaucoma-GT uses the LentiVector® platform technology expressing a COX-2 gene and a PGF-2 receptor gene in order to reduce intraocular pressure and minimise the risk of disease progression.

Glossary

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.

TRiP
Transgene Repression in Vector Production (TRiP) cell system for the bioprocessing of lentiviral vectors.

Terminology not specific to Oxford BioMedica

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.

Advanced Therapy Medicinal Products (ATMP)
ATMPs cover gene and cell therapy medicinal products and tissue engineered products.

AMD
Age-related macular degeneration.

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
Chimeric Antigen Receptor T Cell.

CD19
CD19 is a protein that in humans is encoded by the CD19 gene. It is found on the surface of B-cells, a type of white blood cell.

Cell therapy
Cell therapy is defined as the administration of live whole cells in a patient for the treatment of a disease.

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

CTA
Clinical Trials Application.

CTL-019
CTL-019 is a clinical trial of T cell therapy for patients with B cell cancers such as acute lymphoblastic leukemia (ALL), B cell non-Hodgkin lymphoma (NHL), and the adult disease chronic lymphocytic leukemia (CLL).

Ex vivo
Latin term to describe biological events that take place outside the body 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. 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.

IND
Investigational New Drug.

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.

Investigator Initiated Trial (IIT)
Investigator initiated trials are clinical studies facilitated by academic clinical investigators.

Investigational Medicinal Product (IMP)
A pharmaceutical substance being tested in a clinical trial.

In vivo
Latin term to describe biological events that take place inside the body of living organisms.

MHRA
The Medicines and Healthcare Products Regulatory Agency.

PCT
The Patent Cooperation Treaty (PCT) is an international patent law treaty that provides a unified procedure for filling patent applications.

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.

PRIME
PRIority MEdicines (PRIME) is a scheme launched by the European Medicines Agency (EMA) to enhance the development of medicines that target on unmet medical need.

Striatum
Part of the basal ganglia system of the brain.

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.

Advisers and contact details

Advisers

Financial Adviser

WG Partners

85 Gresham Street
London EC2V 7NQ

Financial and Corporate Communications

Consilium Strategic Communications

41 Lothbury
London EC2R 7HG

Registered Auditors

PricewaterhouseCoopers LLP

3 Forbury Place
23 Forbury Road
Reading RG1 3JH

Solicitors

Covington & Burlington LLP

265 Strand
London WC2R 1BH

Registrars

Capita Asset Services

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Company Secretary and registered office

Tim Watts

Windrush Court
Transport Way
Oxford OX4 6LT
United Kingdom

Contact details

Oxford BioMedica plc

Windrush Court

Transport Way
Oxford OX4 6LT
United Kingdom

Tel: +44 (0) 1865 783 000
Fax: +44 (0) 1865 783 001

Medawar Centre

Robert Robinson Avenue
The Oxford Science Park
Oxford OX4 4GA
United Kingdom

Tel: +44 (0) 1865 783 000
Fax: +44 (0) 1865 783 001

Bioprocessing facilities

Oxford BioMedica (UK) Ltd

Harrow House

County Trading Estate
Transport Way
Cowley
Oxford OX4 6LX
United Kingdom

Tel: +44 (0) 1865 785 300
Fax: +44 (0) 1865 785 301

Oxford BioMedica (UK) Ltd

Unit 5

Oxford Industrial Park
Yarnton
Oxford OX5 1QU
United Kingdom

Tel: +44 (0) 1865 785 300
Fax: +44 (0) 1865 785 301

Email and website

enquiries@oxfordbiomedica.co.uk
www.oxfordbiomedica.co.uk

This report has been designed and produced by thinkerdoer.

www.thinkerdoer.co.uk

thinker/doer

Printed by Pureprint Group using their pureprint® environmental print technology, a guaranteed, low carbon, low waste, independently audited process that reduces the environmental impact of the printing process. Pureprint Group is a CarbonNeutral® company and is certified to Environmental Management System, ISO 14001 and registered to EMAS, the Eco Management and Audit Scheme.

www.pureprint.com

The papers used for the production of this 2014 report are certified by the Forest Stewardship Council®.

www.fsc-uk.org

Oxford BioMedica plc
Windrush Court
Transport Way
Oxford OX4 6LT
United Kingdom

Tel: +44 (0) 1865 783000
Fax: +44 (0) 1865 783001
enquiries@oxfordbiomedica.co.uk

www.oxfordbiomedica.co.uk

OxfordBioMedica