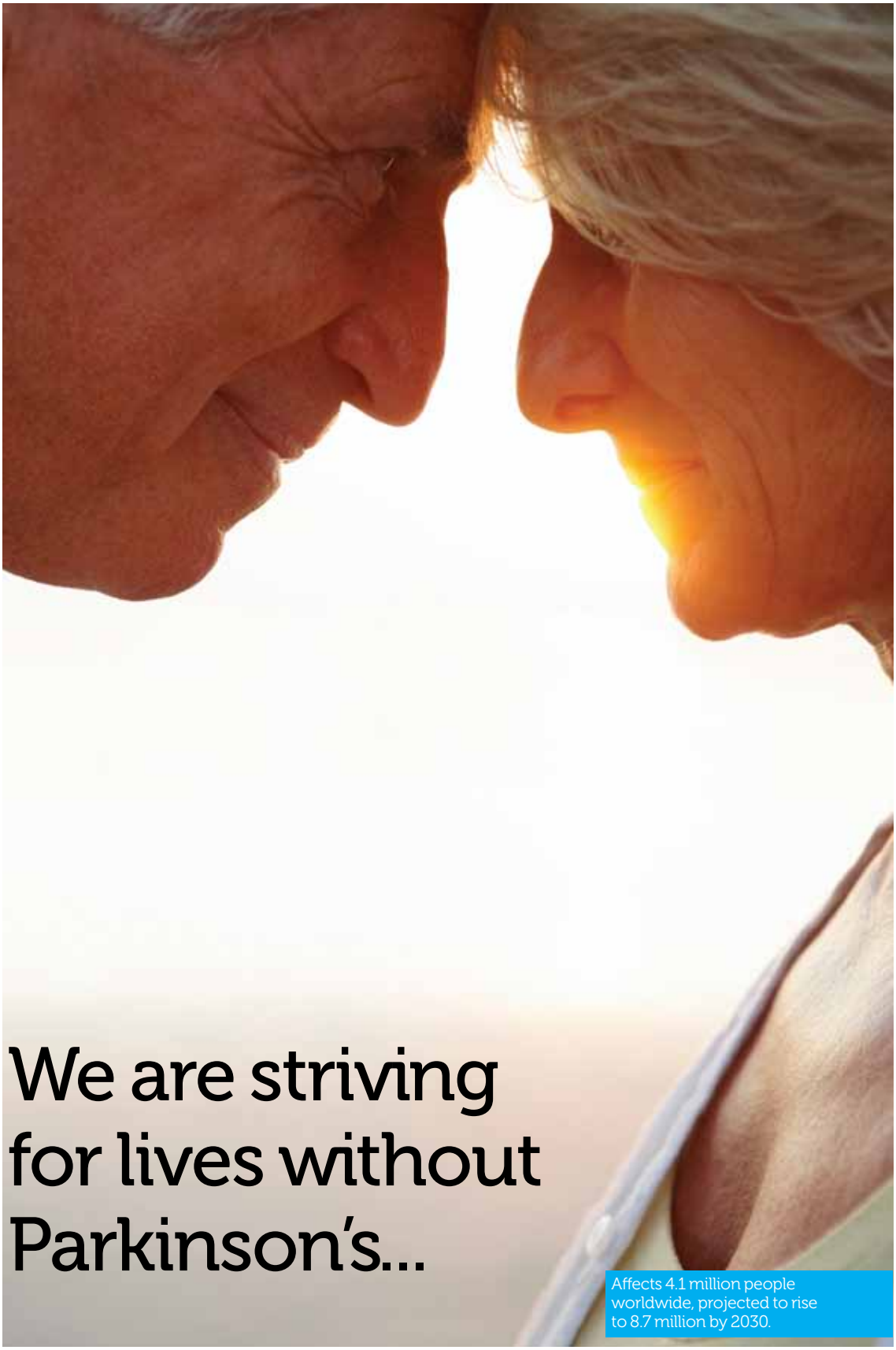

OxfordBioMedica
Discover. Realise.
Annual Report and Accounts 2010

Oxford BioMedica is one of the leading companies in gene therapy and immunotherapy with a platform of exclusive and pioneering technologies to design and develop unique gene-based medicines. Our pipeline addresses diseases for which there is currently no treatment or that are inadequately treated today, including cancer, neuro-degenerative and ocular diseases, and our product candidates have the potential to transform treatment landscapes. Through our in-house development programmes and our collaborations with leading industry partners, our goal is to improve the lives of patients with debilitating and life-threatening diseases.

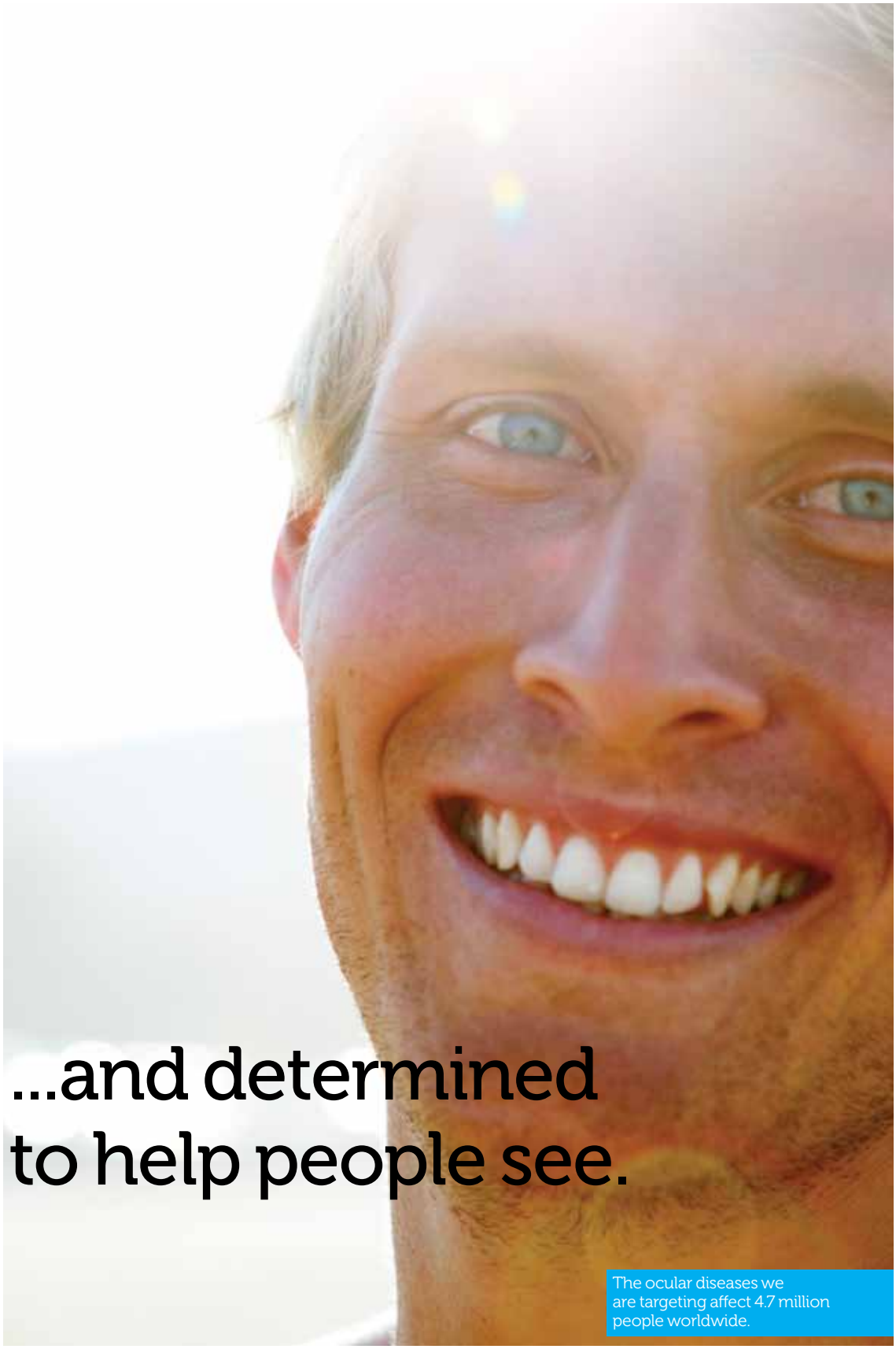
Our journey is about discovery. New medicines and treatments that could improve life for millions of people. By realising these discoveries we will fight life-threatening and debilitating diseases affecting almost every family in the world.

By 2017, prostate cancer is expected to affect 5.5 million people globally.



We are striving for lives without Parkinson's...

Affects 4.1 million people worldwide, projected to rise to 8.7 million by 2030.



...and determined to help people see.

The ocular diseases we are targeting affect 4.7 million people worldwide.

Directly or indirectly, these diseases touch nearly all of us. Someone's mother. A child. A loved one.

Let's find new weapons to fight back.

This is how we will achieve our vision:

01. Our work is based on exclusive and innovative technologies

Our pipeline addresses diseases for which there is currently no treatment or that are inadequately treated today, including cancer, neurodegenerative and ocular diseases, and our product candidates have the potential to transform treatment landscapes.

02. We have the support of leading industry partners and collaborators

Our four ocular gene therapies are partnered with sanofi-aventis and Pfizer is working on the pre-clinical evaluation of our 5T4-targeted antibody therapy. These partnerships are an endorsement of our innovative LentiVector® technology and 5T4 tumour antigen platforms. We are also privileged to be working with leading experts in the fields of oncology, for TroVax®, and motor neuron disease, for MoNuDin®.

03. The scientific evidence

Our science has been recognised by a number of well-respected industry journals. The class-leading pre-clinical data for ProSavin® and the four ocular gene therapies, in addition to the more recent publication of the TroVax® Phase III results in metastatic renal cancer in *Clinical Cancer Research* in October 2010, illustrate the potential of our novel products.

04. We have secured further funding

Thanks to existing and new shareholders we were able to secure £20 million of funding which completed in January 2011. With key data and milestones expected for ProSavin®, TroVax® and the ocular products partnered with sanofi-aventis, this funding will enable us to maximise the opportunities to complete revenue-generating deals over the next 12-18 months.

05. We are able to seize opportunity

In February 2011 we acquired a UK manufacturing facility based in Oxford from RecipharmCobra Biologics for £1.9 million. This investment in our specialist manufacturing processes will ensure the rapid progression of our core LentiVector® platform products through Phase II, Phase III and to market and, importantly, also provides the opportunity for Oxford BioMedica to become the LentiVector® platform supplier of choice for its current and future partners. We also continue to evaluate value-enhancing corporate activity to accelerate profitability.

Meet our promising treatment candidates.

Platform

LentiVector® platform

LentiVector® technology is one of the most advanced gene delivery systems currently available. It has specific advantages in certain neurological and ocular disorders and could achieve permanent therapeutic benefit.

Products

ProSavin®

Gene-based treatment for Parkinson's disease which converts cells and replaces patient's lost source of dopamine.

RetinoStat®

Gene-based treatment for neovascular "wet" age-related macular degeneration (AMD) which aims to preserve and improve the vision of patients.

5T4 Tumour Antigen

The 5T4 tumour antigen is a unique protein found on most common types of solid cancer, which makes it a potentially valuable target for novel anti-cancer interventions.

TroVax®

A therapeutic vaccine that stimulates the immune system to destroy cancerous cells expressing the 5T4 tumour antigen which is present on most solid tumours.

StarGen™

Gene-based treatment for Stargardt disease, which delivers a corrected version of the ABCR gene to address vision loss.

UshStat®

Gene-based treatment for the treatment of Usher syndrome 1B. The disease leads to progressive retinitis pigmentosa combined with a congenital hearing defect.

MoNuDin®

Gene-based treatment for the progressive, usually fatal, motor neuron disease used to prevent further degeneration of the motor neurons and potentially restore motor function.

EncorStat®

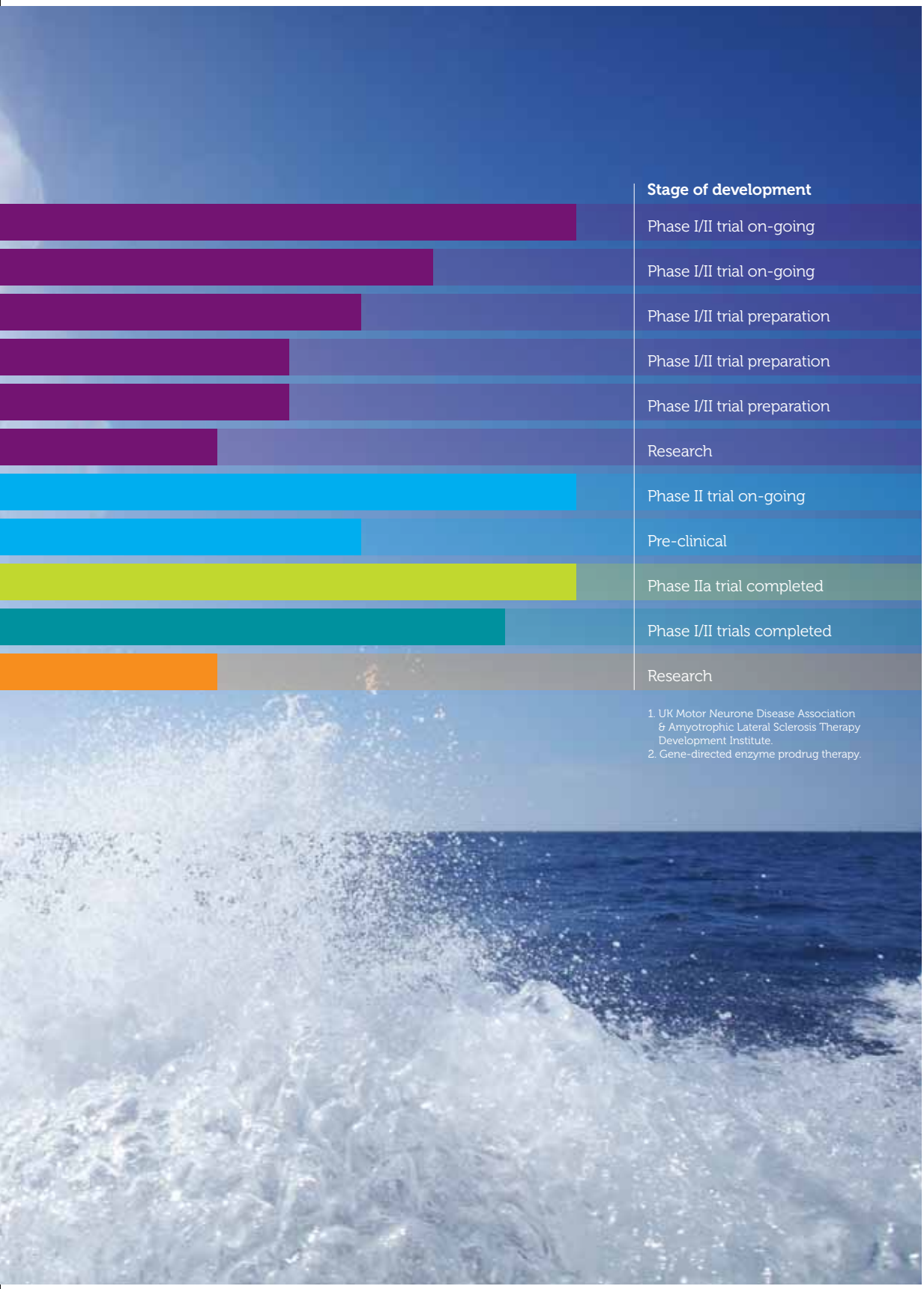
Gene-based treatment for the prevention of corneal graft rejection. Corneal grafting arises from a need to remove and replace pathology arising in the cornea causing 'clouding'.

Anti-5T4 antibody

The 5T4-targeted antibody therapy is a humanised monoclonal antibody linked to the potent anti-cancer agent, calicheamicin. The product binds to the 5T4 antigen on the surface of cancerous cells. Once bound, the complex is internalised by the tumour cell, the calicheamicin is released from the antibody, and the free drug kills the cancerous cell.

Platform	**Product** (partner/funding)	**Indication**
LentiVector®	**ProSavin®**	Parkinson's disease
	RetinoStat® (sanofi-aventis)	Wet age-related macular degeneration
	StarGen™ (sanofi-aventis)	Stargardt disease
	UshStat® (sanofi-aventis)	Usher syndrome
	EncorStat® (sanofi-aventis)	Corneal graft rejection
	MoNuDin®[1]	Motor neuron disease
5T4 Tumour Antigen	**TroVax®**	Prostate cancer
	Anti-5T4 antibody (Pfizer)	Cancer
Prime Boost	**Hi-8® Mel**	Melanoma
GDEPT[2]	**MetXia®**	Pancreatic cancer
Anti Angiogenesis	**EndoAngio-GT**	Cancer

Our progress to date – product pipeline.



1. UK Motor Neurone Disease Association & Amyotrophic Lateral Sclerosis Therapy Development Institute.
2. Gene-directed enzyme prodrug therapy.

We are committed, highly passionate about what we are doing and why. And we are determined to succeed.

2010 Highlights

Strong momentum across our lead development programmes

2010 has been a successful year for Oxford BioMedica and our progress to date underlines the Company's strong fundamentals. We continue to build the value of our lead programmes and expect key data and milestones over the next 12-18 months for ProSavin®, TroVax® and the ocular products partnered with sanofi-aventis. Thanks to existing and new shareholders we were also able to secure £20 million of funding which will enable us to maximise the opportunities ahead, including the enhancement of our specialist manufacturing processes. With exciting future prospects, we remain committed to driving momentum and delivering value for shareholders.

£12.3m

Net cash[3]:
(2009: £25.3 million).

+£20m

Fundraising:
£20 million before expenses, completed 10 January 2011.

Operational highlights

LentiVector® platform

ProSavin®: Parkinson's disease

- Safety and tolerability endpoints sustained for >2 years, now extended to nine patients
- Two-year Phase I/II data indicate long-term efficacy at lowest (1x) dose level
- Improvements in "ON" time and quality of life, with stable or reduced L-DOPA, in all cohorts to date
- Enhanced administration procedure is safe and reduced surgery delivery time at the 2x dose
- Data Monitoring Committee supports progression to higher (5x) dose level cohort with initial data expected mid-2011

Ocular Gene Therapies: partnered with sanofi-aventis

- RetinoStat® IND approval received from the FDA
- StarGen™ CTA and IND dossiers submitted to AFSSAPS and FDA
- First data from RetinoStat® Phase I study expected H1 2012

5T4 Tumour Antigen

TroVax: cancer

- Phase II study in hormone refractory prostate cancer initiated with initial data expected from mid-2012
- Positive TRIST analyses published in *Clinical Cancer Research*
- Multiple collaborative studies expected to start in 2011

Financial highlights[1]

- Revenue of £11.2 million
  (2009: £19.1 million including exceptional revenue £10.1 million)
- Research & development costs incl. exceptional items of £19.9 million (2009: £18.3 million)
- Exceptional loss (impairment) of £3.9 million
  (2009: exceptional profit of £6.0 million)
- Net loss before exceptional items of £6.3 million (2009: £9.5 million)
- Net loss after exceptional items of £10.3 million (2009: £3.5 million)
- Net cash burn[2] of £13.0 million
  (2009: net cash generated[2] £3.0 million)
- Net cash[3] of £12.3 million
  (2009: £25.3 million)

Post-period end highlights

- Fundraising of £20 million before expenses, completed on 10 January 2011
- Acquisition of manufacturing facility for £1.9 million, completed in February 2011

1. Audited financial results.
2. Net cash used in /generated from operating activities plus sales and purchases of non-current assets and interest received.
3. Cash, cash equivalents and available for sale investments.

Chairman's Message

Oxford BioMedica is one of the leading companies in gene therapy and immunotherapy with a platform of exclusive and pioneering technologies to design and develop unique gene-based medicines. Our pipeline addresses diseases for which there is currently no treatment or that are inadequately treated today, including cancer, neurodegenerative and ocular diseases, and our product candidates have the potential to transform treatment landscapes. Through our in-house development programmes and our collaborations with leading industry partners, our goal is to improve the lives of patients with debilitating and life-threatening diseases.

2010 was an important year for Oxford BioMedica. In particular, we made considerable progress across our lead development programmes and this, in turn, has augmented active discussions with potential partners. The Company is actively pursuing partnering deals on a number of fronts in order to deliver real shareholder value. In addition, Oxford BioMedica completed a £20 million fundraising in January 2011 and, while this was highly dilutive for some shareholders who did not participate in the issue, the Directors believe that strengthening the balance sheet, securing funds for a dedicated LentiVector® platform manufacturing facility and being able to keep ProSavinon track will be fundamental to maximising the opportunities to complete revenue-generating deals over the next 18 months.

Dr Alan Kingsman
Chairman

World-class industry collaborations

In January 2011 the first of four ocular gene therapies partnered with sanofi-aventis, RetinoStat®, started Phase I clinical development in the first US study using our LentiVector® platform technology. This represents a major event for the Company and demonstrates our ability to bring novel products into first-in-man studies within an impressive timeframe following the initiation of this landmark collaboration in 2009. In addition, Pfizer has strengthened its commitment to develop product strategies to target Oxford BioMedica's proprietary 5T4 tumour antigen for the treatment of cancer. These partnerships are an endorsement of our innovative LentiVector® technology and 5T4 tumour antigen platforms.

Increasing value

Our lead development programmes, ProSavin® and TroVax®, also made strong progress during the period. The final cohort using the higher 5x dose of ProSavin® is underway and is expected to generate key results in H2 2011. Following approval by the US regulatory agencies, TroVax® is also in Phase II development after positive analyses of previous Phase III data (published in *Clinical Cancer Research* in November 2010) demonstrated that patients who are likely to respond well to TroVax® can be identified by a simple blood test. Data generated from these clinical programmes add further value to these important assets and take the Company closer to securing licensing deals.

Board changes

Two new independent Non-Executive Directors, Dr Paul Blake and Dr Andrew Heath, were appointed to the Board at the start of 2010. Both Paul and Andrew are industry veterans with extensive experience in building successful biopharmaceutical companies internationally. At the same time, Mark Berninger retired from the Board having served as a Non-Executive Director for more than ten years. In June 2010 Nick Woolf stepped down as Chief Business Officer and Executive Director following seven years as a member of the senior management team. I would like to record my sincere thanks to Mark and Nick for their dedicated services to the Company.

Strategy commitment

Our mission is to build a top-tier profitable biopharmaceutical company founded on the successful development and commercialisation of novel gene-based medicines. In addition, we continue to evaluate partnership opportunities and value-enhancing corporate activity to accelerate profitability.

In conclusion

Firstly, I would like to thank our staff for their commitment and hard work over the past year; we could not have accomplished as much during 2010 without their dedication. Secondly, I would also like to thank our partners and shareholders for their support. With significant opportunity ahead, I believe that Oxford BioMedica is poised to deliver strong growth and success.

Dr Alan Kingsman
Chairman

Management Team

01. John Dawson
Chief Executive Officer
John Dawson joined Oxford BioMedica's Board as a non-executive Director in August 2008 and was appointed Chief Executive Officer on 13 October 2008. From 1996 to 2007, Mr Dawson held senior management positions in the European operations of Cephalon Inc. where 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.

02. Andrew Wood
Chief Financial Officer
Andrew Wood has been a Director of Oxford BioMedica since 1996. He is a Chartered Accountant with wide experience of financial management in a number of industries. Mr Wood also holds a first class degree in biochemistry from Oxford University. Before joining Oxford BioMedica he was Finance Director at the Yorkshire Cable Group (part of General Cable).

03. Dr Stuart Naylor
Chief Scientific Officer
Dr Stuart Naylor joined Oxford BioMedica in 1997 and was appointed to the Board in July 2008. He established an international reputation at two world class cancer institutes; the Imperial Cancer Research Fund and the Institute of Cancer Research. Dr Naylor's career has covered many aspects of tumour biology from its molecular basis to the clinic.

04. Peter Nolan
Executive Director and Senior Vice President, Commercial Development
Peter Nolan was appointed to Oxford BioMedica's Board in May 2002, having been a senior member of the Company since its foundation. He is also a Director of the UK BioIndustry Association and is a past 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 & Industry for eight years.

02. 03.

04. 01.

Chief Executive's Review

Encouraging ProSavin® data, positive TroVax® analyses and the successful initiation of our first ocular clinical study all contributed to a great year for the Company. Our lead programmes have significant potential to fight Parkinson's disease, cancers and vision loss and we are working closely with our partners, external collaborators and regulatory authorities to advance these novel products towards commercialisation.

During 2010 we delivered positive momentum across our lead development programmes as a result of favourable data, successful regulatory approvals and continuous hard work within the Company. We also secured further financial support, thanks to existing and new shareholders, in January 2011. Looking forward, we have established a strong platform from which to maximise opportunity and achieve further success.

John Dawson
Chief Executive Officer

Development progress

ProSavin® continues to generate positive data in the current Phase I/II study in Parkinson's disease. Two-year data from the first patient cohort indicate long-term efficacy at the lowest dose, with safety and tolerability endpoints sustained for 30 months post-treatment. Facilitated by our enhanced administration method, we have now escalated to a higher 5x dose of ProSavin® in the final patient cohort. Following approval by the US Food and Drug Administration (FDA) we initiated a new Phase II trial for TroVax® in hormone refractory prostate cancer and made progress with sponsored studies in other indications expected to start in 2011. Our ocular Phase I/II programme, comprising four products partnered with sanofi-aventis, is on track and following FDA approval we initiated our first Phase I trial with RetinoStat® for "wet" AMD in January 2011.

Proprietary manufacturing

With the anticipated growth of our clinical LentiVector® platform portfolio from one lead product to five products in development, we conducted a manufacturing review in 2010. Following this review, we made a strategic investment to establish our own specialist manufacturing facility in January 2011. The new manufacturing facility, acquired from RecipharmCobra Biologics, is expected to deliver long-term operational and financial efficiencies and will support our products through Phase II, Phase III and to market. It also provides the opportunity for us to become the LentiVector® platform supplier of choice for our current and future partners which could provide additional revenues.

Partnering progress

Negotiating the right transaction to maximise the potential of both ProSavin® and TroVax® remains a key strategic priority for management. By continuing to generate positive and value-enhancing clinical data, these products become increasingly attractive. We continue to seek the best partners in order to combine scientific and operational expertise and bring ProSavin® and TroVax® to commercialisation as rapidly as possible. Oxford BioMedica also has one of the broadest patent estates in the field which gives the Company significant potential to leverage the value of its intellectual property through strategic partnerships.

Financial management

Our cash position at 31 December 2010 was £12.3 million, with a further £18.4 million of net proceeds from the placing and open offer which closed in January 2011. Our strengthened cash position will allow us to maintain our financial flexibility and move forward with confidence in order to capitalise the opportunities ahead.

Outlook

At the start of 2010, we set a number of challenging objectives for our in-house and collaborative development programmes and the strong progress across our core pipeline demonstrates our success to date. Our strategy remains to commercialise the current pipeline and realise the highest value from our class-leading technologies through in-house development and partnerships. Over the next 12-18 months we expect multiple value-driving events with key data from ProSavin®, TroVax® and RetinoStat®, in addition to our other ocular products moving into first-in-man studies. With an improved cash position, Oxford BioMedica has strong fundamentals, an exciting development pipeline and a commercially-focused management team committed to delivering growth and expediting sustainable profitability.

John Dawson
Chief Executive Officer

We have a clear strategy taking us forward.

01. Managing risks and resources

Realising the value of pioneering innovation within the field of biotechnology comes with inherent risk. Our strategy is to mitigate both technical and financial risk through partnerships that bring the clinical, regulatory and commercialisation capabilities required to maximise the market potential of our novel treatments.

We take careful consideration in allocating resources and remain focused on developing our core products which we believe have the highest potential in the near-term. Following the £20 million fundraising, our strengthened financial position will allow us to continue to progress our products to commercialisation and maximise revenue-generating opportunities ahead.

02. Pursuing partners to help take programmes forward

We are actively pursuing multiple partnering initiatives with a primary focus on ProSavin® and TroVax®. We continue to build the value of these important assets, and for TroVax® in particular we are also exploring collaborations through clinical networks which provide significant leverage for our investment. With patience and tenacity, we believe that we can secure strong deals with the right partners for our innovative products.

03. Ensuring timely delivery of pipeline

As one of the leading companies in the field of gene therapy and immunotherapy, we work closely with regulatory agencies to define appropriate development pathways. As with other biotechnology companies in the sector, forecasting product development timelines is particularly challenging, especially with our product candidates which are based on ground-breaking science and have the potential to offer new treatment paradigms. We endeavour to provide guidance on timelines based on our best assumptions and are committed to ensuring timely delivery of our goals and milestones.

LentiVector® Platform

Oxford BioMedica's proprietary LentiVector® technology platform is a highly efficient system for the delivery of therapeutic genes to a wide range of tissues, and it has specific advantages for targeting diseases of the central nervous system and the eye. The Company's most advanced LentiVector® platform candidate is ProSavin® for Parkinson's disease. In partnership with sanofi-aventis, Oxford BioMedica is also developing four products for the treatment of ocular diseases. These five core LentiVector® platform candidates benefit from considerable crossover of manufacturing technology and regulatory procedures. The Company is also working with leading scientific teams to address other unmet needs, such as the treatment of motor neuron disease.

ProSavin®

Gene-based therapy for Parkinson's disease

ProSavin® is being evaluated in a Phase I/II trial in patients with mid-stage Parkinson's disease who are experiencing reduced benefit on L-DOPA "equivalent" therapy. The first stage of the trial is designed to assess the safety, efficacy and dose evaluation of ProSavin®. Two dose levels and an enhanced administration technique have been evaluated in nine patients to date and the current six-patient cohort is assessing a higher dose of ProSavin®; the scaled equivalent to the optimal pre-clinical dose. The trial is being conducted at two centres of excellence for neurosurgery; the Henri Mondor Hospital in Paris with Professor Stéphane Palfi as Principal Investigator and Coordinating Investigator, and at Addenbrookes Hospital in Cambridge, UK, with Dr Roger Barker as Principal Investigator.

Two-year data show long-term, stable improvement

The first two dose levels were safe and well-tolerated in all patients and evidence of encouraging clinical benefit at two years has been seen with the lowest dose. The first cohort assessed a 1x dose of ProSavin® in three patients, the second cohort assessed a 2x dose in three patients and the third cohort assessed a repeat of the 2x dose using an enhanced administration technique developed by the Company. Motor function improvement is assessed according to the Unified Parkinson's Disease Rating Score (UPDRS) in patients' "OFF" state (i.e. after withdrawal of Parkinson's disease medication).

Improving quality of life

It is important to note that Parkinson's disease is a progressive neurodegenerative disorder and deterioration of symptoms and increases in daily L-DOPA therapy would be expected over a two-year period. However, across all three patient cohorts treated to date, L-DOPA "equivalent" therapy has either reduced or remained stable, quality of life has either improved or remained stable where it would usually be expected to worsen, and patient diary data show an increase in "ON" time (when PD symptoms are not present). Quality of life is assessed based on a standard measure of clinical benefit using a patient questionnaire known as PDQ-39.

Encouragingly, patients in cohort 3 showed analogous results despite having more severe baseline UPDRS symptoms than the other cohorts. Based on the current data set, with improvements sustained over a two-year period in the context of an inexorably degenerating disease, if these results are confirmed in placebo-controlled studies ProSavin® would represent a significant advancement to current treatment options given its potential to enhance quality of life and suppress the motor function complications caused by oral L-DOPA therapy.

1. ProSavin® also continued to have a favourable safety profile 30 months post-treatment at the 1x dose, and 18 months post-treatment at the 2x dose, reported in December 2010.
2. Patients in cohort 3 had more severe baseline UPDRS symptoms than in previous cohorts.

Summary of improvements in motor function to date[1]

Cohort[2]	Dose	Administration method	3 months (UPDRS)	6 months (UPDRS)	1 year (UPDRS)	2 years (UPDRS)
1, n=3	1x	Original	Mean 27% Max. up to 30%	Mean 30% Max. up to 50%	Mean 29% Max. up to 44%	Mean 20% Max. up to 30%
2, n=3	2x	Original	Mean 28% Max. up to 53%	Mean 34% Max. up to 53%	Mean 29% Max. up to 56%	-
3, n=3	2x	Enhanced	Mean 26% Max. up to 52%	-	-	-

Higher dose cohort underway

In December 2010, Oxford BioMedica reported that ProSavin® continues to be safe and well-tolerated following treatment of the third cohort of patients with a 2x dose using an enhanced administration technique developed by the Company. The enhanced technique will facilitate higher dosing and has the potential to provide better reproducibility of administration as the number of study centres expands.

The study's independent Data Monitoring Committee (DMC) supported Oxford BioMedica's proposal to proceed to a higher 5x dose, facilitated by the enhanced administration technique, in a cohort of six patients. The 5x dose is the allometrically-scaled equivalent to the optimal pre-clinical dose (i.e. a dose that is scaled for the difference in brain size between humans and the pre-clinical model) so it is conceivable that higher levels of efficacy may be achieved.

Following approval from the MHRA in October 2010, the DMC also gave its support to open the second site in the UK at Addenbrookes Hospital, Cambridge, with Dr Roger Barker as Principal Investigator. The first patient in the 5x dose cohort was treated in Paris in February 2011 and, following an obligatory observation period of one month, subsequent patients will be treated at both sites in parallel which is expected to increase the rate of recruitment and accelerate completion of the current Phase I/II trial. Three-month results from the first three patients in the 5x dose cohort are expected mid-2011 and will be announced in H2 2011, following a review by the study's DMC.

Regulatory agencies support route to registration

Oxford BioMedica works closely with the European Medicines Agency (EMA) and FDA on the development of its pipeline products, and in June 2010 the Company received formal scientific advice from the EMA on the development path for ProSavin®. Importantly, the advice validated the Company's current strategy and supported the view that, subject to continued demonstration of efficacy and safety, potentially only a single pivotal study may be likely at Phase III rather than multiple Phase III trials, thereby reducing the time and cost to registration.

In May and July 2010, Oxford BioMedica submitted orphan drug applications to the EMA and FDA, respectively, for the use of ProSavin® in a subset of patients with advanced Parkinson's disease. In September 2010, the EMA decided that ProSavin® may be of significant benefit to a much wider patient population and therefore that orphan drug designation was not appropriate. The FDA also indicated that the patient numbers in the proposed target population exceed the threshold for orphan drug designation. These opinions further support the substantial worldwide potential for ProSavin® in the treatment of Parkinson's disease.

$2.8bn

Potential sales by 2019:
Parkinson's disease affects approximately 1.5 million patients in the seven major markets (US, Japan, UK, France, Germany, Italy and Spain) which is projected to rise to 1.7 million by 2019. None of the current treatments provide long-term relief from symptoms, yet, by 2019, sales of these treatments could exceed US$2.8 billion.

Advancing towards randomised Phase II development

Oxford BioMedica plans to use part of the recent £20 million fundraising to progress ProSavin® into placebo-controlled studies at the earliest opportunity. Planning is underway for a double-blind, controlled Phase II study that will recruit up to 50 patients. The control group of patients will receive a small incision in the scalp under anaesthetic to represent sham surgery. Depending on the results from the 5x dose cohort and the independent opinion from the study's DMC, a randomised Phase II trial of ProSavin® could be initiated in the EU/US in 2012.

Partnering progress

Over the past year there has been considerable interest in ProSavin® from potential partners. The negotiations have raised three key issues that have influenced the terms: the risk associated with the early stage of the product; the ability to control future manufacturing; and the regulatory path to registration given that ProSavin® is an entirely novel product. Following the EMA's validation of the planned route to registration and the acquisition of a UK manufacturing facility, a strategic use of proceeds from the recent £20 million fundraising, Oxford BioMedica has successfully addressed two of these key issues.

In terms of the risk associated with ProSavin®'s stage of development, generating further positive data in larger numbers of patients will continue to de-risk the product and moving into a randomised Phase II study will add further value. Data from the higher 5x dose cohort could catalyse a partnering deal; the Company is in discussions with potential partners who are monitoring the progress of the current Phase I/II clinical programme. Oxford BioMedica could retain certain territorial rights and market ProSavin® with a specialised sales force in these regions. Another option is to co-fund ProSavin®'s development using the recently raised funds; this strategy could allow the Company to retain much greater downstream value from a partnering deal. Maximising the worldwide potential for the commercialisation of ProSavin® remains a key strategic priority for the Company.

Next milestones

Oxford BioMedica aims to report six-month data from the third cohort at the 2x dose in H1 2011. Key results from the first three patients in the higher 5x dose cohort will emerge mid-2011 and will be reported in H2 2011 following review by the study's independent Data Monitoring Committee. Depending on the results from the 5x dose cohort, a placebo-controlled Phase II trial of ProSavin® could be initiated in the EU/US in 2012.

Market opportunity

Parkinson's disease affects approximately 1.5 million patients in the seven major markets (US, Japan, UK, France, Germany, Italy and Spain) which is projected to rise to 1.7 million by 2019. None of the current treatments provide long-term relief from symptoms, yet, by 2019, sales of these treatments could exceed US$2.8 billion in the seven major markets (source: Datamonitor, Dec-2010). ProSavin® has the potential to address a major unmet medical need in Parkinson's disease, offering long-lasting benefit from a single administration with an excellent safety profile. The product could therefore also significantly reduce the social care burden that is associated with the mid to late-stage of disease.

+50

Patients to be recruited in a future randomised Phase II trial of ProSavin®.

Ocular Programme

Gene-based therapies

In collaboration with sanofi-aventis, Oxford BioMedica is developing four LentiVector® platform product candidates for the treatment of ocular diseases: RetinoStat® for "wet" age-related macular degeneration (AMD); StarGen™ for Stargardt disease; UshStat® for Usher syndrome 1B; and EncorStat® for corneal graft rejection. This partnership is an endorsement of the Company's LentiVector® platform and, furthermore, sanofi-aventis' investment in the platform technology benefits Oxford BioMedica's development programmes in other therapeutic areas.

Landmark partnership with global player

The ocular collaboration with sanofi-aventis, signed in April 2009, included an upfront receipt of US$26 million and up to US$24 million in development funding over the initial phase of development. The committed funding is based on a joint development plan that is designed to progress four product candidates into Phase I/II trials within three years. Following successful Phase I/II completion, Oxford BioMedica may receive further undisclosed license fees, milestone payments and royalties on product sales, the terms of which are consistent with other deals of this scope and size. Furthermore, there is considerable scope to expand the collaboration with the addition of other indications and related product candidates. For example, RetinoStat® could be evaluated as a treatment for diabetic macular oedema.

First LentiVector® platform study in the USA

Since the start of the collaboration in Q2 2009, Oxford BioMedica has made rapid progress with pre-clinical studies, manufacturing and regulatory submissions resulting in the initiation of the first US clinical study using the Company's LentiVector® platform technology in January 2011 for RetinoStat®. This was a major event for Oxford BioMedica and will support the Chemistry Manufacturing and Controls (CMC) package and manufacturing elements for subsequent LentiVector® platform products.

Lead product RetinoStat® in clinical development

RetinoStat® is the lead product in the Phase I/II ocular programme. A protocol for a Phase I study was submitted to the US Recombinant DNA Advisory Committee (RAC) in July 2010 and, following unanimous RAC approval, an Investigational New Drug (IND) application was submitted to the FDA in September 2010. Oxford BioMedica received IND approval from the FDA in November 2010 and, with local approvals in place, the study commenced in January 2011.

The open label, dose escalation, Phase I study will evaluate the safety and tolerability of a single injection of RetinoStat® directly to the retina. Led by Professor Peter Campochiaro at the Wilmer Eye Institute at Johns Hopkins, Baltimore (USA), the study will enrol 18 patients with "wet" AMD and will evaluate three dose levels. The six-month primary endpoints include safety, aspects of visual acuity and ocular physiology. The study will also assess anti-angiogenic bioactivity of RetinoStat®. First results from this trial are expected during H1 2012.

+18

Patients to enrol for RetinoStat® study led by Professor Peter Campochiaro at the Wilmer Eye Institute at Johns Hopkins, Baltimore (USA).

StarGen™ CTA and IND submitted
The next product expected to enter Phase I/IIa clinical development will be StarGen™. Oxford BioMedica submitted the CTA application to the French regulatory agency AFSSAPS in December 2010. Feedback is expected by the end of Q1 2011. Oxford BioMedica also submitted the protocol to the RAC in December 2010 and an IND application was made to the FDA in February 2011 to allow the opening of a second clinical site in the US. Feedback is also expected by the end of Q1 2011. Subject to regulatory approval, Oxford BioMedica therefore anticipates that a Phase I/IIa study will be initiated in Q2 2011. StarGen™ has already received orphan drug designation from the EMA and FDA.

UshStat® development on track
Oxford BioMedica attended a pre-IND meeting with the FDA in January 2011 and preparation continues for IND application submission to the FDA by the end of H1 2011. According to this timeline, the Company expects UshStat® to begin Phase I/II clinical development in the US in H2 2011. UshStat® has already received orphan drug designation from the EMA and FDA.

EncorStat® pre-IND supporting studies underway
In September 2010, Oxford BioMedica met with the Innovation Task Force (ITF) at the EMA who provide a forum for early dialogue regarding new therapies. Although the ITF does not provide formal advice, Oxford BioMedica regards the discussions as encouraging. Supporting pre-clinical studies are underway and the Company expects to hold a pre-IND meeting with the FDA in H2 2011. Together with sanofi-aventis, Oxford BioMedica continues to evaluate the optimal route for commercial development of this novel product.

Market opportunity
AMD is a major cause of blindness affecting an estimated 25 to 30 million people worldwide and the incidence of AMD is expected to triple by the year 2025. Neovascular "wet" AMD accounts for 90% of all severe vision loss from the disease with up to 4.5 million patients worldwide (source: AMD Alliance International). On the basis of pre-clinical data, it is anticipated that RetinoStat® will require only a single administration which would give the product a significant advantage in the market over currently available treatments that require frequent, repeated administration. There are currently no approved treatments for Stargardt disease, Usher syndrome and corneal graft rejection. RetinoStat®, StarGen™, UshStat® and EncorStat® have a common technology platform, manufacturing technique and toxicology profiles and it is these sorts of niche indications that can build significant business value. Again, it is anticipated that a single application of Oxford BioMedica's gene-based products could provide long-term or potentially permanent benefits for patients suffering from these debilitating diseases.

20—30m

People worldwide affected by AMD: AMD is a major cause of blindness affecting an estimated 25 to 30 million people worldwide and the incidence of AMD is expected to triple by the year 2025.

MoNuDin®

Motor neuron disease

The pre-clinical development of MoNuDin® is supported by the UK Motor Neurone Disease Association, the US ALS Therapy Development Institute and the US Muscular Dystrophy Association. MoNuDin® has shown promising results in early pre-clinical studies and Oxford BioMedica is optimising the product for clinical trials. The Company's LentiVector® platform technology has the ability to deliver genes safely and efficiently to the neuronal cells affected by motor neuron disease. Oxford BioMedica is working with UK and US non-profit organisations to accelerate MoNuDin®'s development and to explore new disease-specific pathways as potential targets for genetic intervention.

Collaborations with leading research groups

In July 2010 Oxford BioMedica announced a collaborative research project with VIB/University of Leuven, funded by a £255,000 grant from the Motor Neurone Disease Association (MNDA), to develop MoNuDin® for the treatment of Amyotrophic Lateral Sclerosis (ALS). The collaboration builds on previous work funded by MNDA and will utilise Oxford BioMedica's LentiVector® platform to compare the therapeutic potential of two forms of vascular endothelial growth factor (VEGF). The collaboration will also evaluate the optimal delivery protocol for these gene therapy approaches. Initial goals pointing to an optimised route of administration have been established by Oxford BioMedica and will be further evaluated in the collaborative studies to determine the therapeutic potential of these approaches in established models of motor neuron disease.

In 2009, the Company successfully completed the first phase of the research collaboration with the US non-profit organisation, the ALS Therapy Development Institute (ALS TDI), which included validation of the techniques to evaluate and identify gene therapy candidates at the ALS TDI's research facility in Cambridge, MA (USA). Oxford BioMedica announced an extension of this collaboration with the ALS TDI, to be funded by the Muscular Dystrophy Association, in January 2010. In the second phase, the ALS TDI will conduct pre-clinical efficacy studies of MoNuDin® in models of motor neuron disease that have been extensively characterised by their team. Furthermore, the joint teams will also explore approaches to inhibit or regulate specific genetic pathways associated with disease onset or progression using the LentiVector® platform.

Market opportunity

Despite being one of the most common neurodegenerative diseases of adult onset, motor neuron disease has a high unmet need. Amyotrophic lateral sclerosis (ALS), often referred to as Lou Gehrig's disease, is the most prevalent type of motor neuron disease. In the US, there are an estimated 30,000 patients with ALS and nearly 6,000 new cases are diagnosed annually (source: ALS Association). Only one drug has been approved for the treatment of ALS, and its only benefit is a modest increase in survival time. If MoNuDin® proves to be an effective neuroprotective treatment that can slow or arrest injury to patients' motor neurons, it would have compelling competitive advantages.

+6,000

New cases of Motor Neuron Disease diagnosed every year: In the US, there are an estimated 30,000 patients with ALS and nearly 6,000 new cases are diagnosed annually.

Manufacturing

Historically, all of Oxford BioMedica's manufacturing to Good Manufacturing Practice (GMP) standards has been outsourced to a contract manufacturing organisation (CMO). However, given the pivotal role of manufacturing in biological drug development and the impending growth of the clinical LentiVector® platform portfolio from one lead product, ProSavin®, to five products in development over a relatively short period, the Company conducted a strategic review in 2010 to maximise control and minimise risks associated with manufacturing.

Following the strategic review, in January 2011 the Company announced the £1.9 million acquisition of a manufacturing facility based in Oxford, UK from RecipharmCobra Biologics, the specialist biologics division of Recipharm AB, which was completed in February 2011. This investment in Oxford BioMedica's specialist manufacturing processes will ensure the rapid progression of the Company's core LentiVector® platform products through Phase II, Phase III and to market and, importantly, also provides the opportunity for Oxford BioMedica to become the LentiVector® platform supplier of choice for its current and future partners.

Our aquisition of a manufacturing facility will ensure the rapid progression of the company's core LentiVector® platform products to market.

An integrated team comprising manufacturing, development, quality control, quality assurance, engineering and logistics expertise are currently engaged in re-commissioning the facility which should take a minimum of 12 months and will make significant progress towards a fully optimised supply chain for the LentiVector® platform. A key part of supply chain optimisation will be the continued strategic partnership with Oxford BioMedica's current CMO to ensure additional flexibility and appropriate transition. In addition, on-going process development aims to optimise manufacturing for larger studies and commercial supply. The target of this development is a readily-scalable upstream production process that can feed larger quantities of material into the well-established downstream (purification) process with greater speed, control and efficiency than is possible using the current production methods.

5T4 Tumour Antigen

The 5T4 antigen is an ideal target for anti-cancer treatment given its restricted expression on normal tissues and its high prevalence on the surface of cancerous cells across a wide range of solid tumours. TroVax® is Oxford BioMedica's 5T4-specific therapeutic vaccine candidate which is in Phase II development. In collaboration with Pfizer, pre-clinical evaluation of Oxford BioMedica's 5T4-targeted antibody therapy to optimise the product for clinical development continues and Pfizer may submit an IND application during 2011.

TroVax®

Therapeutic cancer vaccine

TroVax® is currently being evaluated in a Phase II study in hormone refractory prostate cancer and was selected by Windhover and Campbell Alliance as one of the "top 10 most interesting oncology projects to watch" in September 2010. Oxford BioMedica continues to receive interest from oncologists and clinicians in Europe and the USA regarding the future development of TroVax® in several cancer indications which have a clear unmet medical need and a lack of effective treatments. The Company therefore anticipates several sponsored studies (in mesothelioma, ovarian and colorectal cancer) to start in 2011. Not only do these collaborations provide cost-effective ways of generating new and valuable data, they also demonstrate the support for TroVax® within the practising oncology community. Oxford BioMedica is privileged to be working with leading experts in the oncology field and looks forward to the progression of these external studies.

Phase II study in hormone refractory prostate cancer

In July 2010, Oxford BioMedica received approval from the FDA and Recombinant DNA Advisory Committee to initiate a clinical Phase II study to assess the activity of TroVax® in patients with progressive hormone refractory prostate cancer (HRPC). The randomised, open-label Phase II study will enrol 80 patients with metastatic HRPC and will assess the activity of TroVax® plus chemotherapy drug docetaxel, versus docetaxel alone. The study is being led by Dr Anna Ferrari, NYU Clinical Cancer Center (USA), and has been carefully designed to give early proof-of-concept by monitoring changes in prostate specific antigen kinetics, one of the most widely used oncological biomarkers in clinical research.

The first centre started recruiting patients in September 2010 and recruitment is in line with the Company's expectations. It is vital that patients meet the correct enrolment criteria which include identifying those patients who are likely to respond well to TroVax® by assessing their blood profile. Oxford BioMedica completed all study centre initiation assessments in January 2011 and the rate of enrolment is anticipated to increase as the number of recruiting clinical sites expands to seven during 2011. Initial results from this study are expected from mid-2012.

TRIST results published in peer-reviewed journal

In November 2010, the results from the TroVax® Renal Immunotherapy Survival Trial ("TRIST"), a randomised, double-blind, placebo-controlled Phase III study were published in *Clinical Cancer Research*, a journal of the American Association for Cancer Research. Amongst other key factors for consideration, the TRIST results show that survival was prolonged in patients who had normal haematology prior to receiving TroVax® i.e. normal levels of platelets, monocytes and haemoglobin in their blood profile. It is important for the cancer vaccine community to learn as much as possible from the data available and, as such, the continuing analyses may help identify those patients who are more likely to benefit from this class of therapy. The fact that patients who are likely to respond well to TroVax® can be identified by a simple blood test is pivotal for the planning of all future studies.

Phase II study in mesothelioma

In June 2010, Oxford BioMedica announced a collaboration agreement with a team of cancer immunologists to evaluate TroVax® in mesothelioma. Led by Dr Zsuzsanna Tabi at Cardiff University and Dr Jason Lester, an oncologist at Velindre Cancer Centre in Cardiff, the study will be funded by the June Hancock Mesothelioma Research Fund and Oxford BioMedica will provide TroVax®. Dr Zsuzsanna Tabi's team submitted a Phase II study protocol to the Gene Therapy Advisory Committee (GTAC) which was reviewed in December 2010 and a clinical trial application (CTA) was submitted to the UK Medicines and Healthcare products Regulatory Agency (MHRA) in February 2011. Based on these timelines, Oxford BioMedica expects the study to be initiated in H1 2011.

Phase II study in ovarian cancer

Oxford BioMedica is in the final stages of developing a Phase II metastatic ovarian cancer protocol with the UK National Cancer Research Network (NCRN) which will be reviewed by a panel of gynaecology experts in Q1 2011. Subject to final agreement, the protocol will be submitted to the regulatory bodies in Q2 2011. Based on these timelines, Oxford BioMedica expects the study to be initiated in H2 2011.

+80

Patients to enrol for TroVax® Phase II study: In July 2010, Oxford BioMedica received approval from the FDA and Recombinant DNA Advisory Committee (RAC) to initiate a clinical Phase II study to assess the activity of TroVax® in patients with progressive hormone refractory prostate cancer.

Phase II study in colorectal cancer
Oxford BioMedica has entered into a collaboration agreement with Cardiff University to evaluate TroVax® in patients with inoperable metastatic colorectal cancer. The Phase II study, led by Dr Andrew Godkin at the Department of Infection, Immunity and Biochemistry, will be sponsored by Cardiff University and Oxford BioMedica will provide TroVax®. Dr Godkin's team submitted the study protocol to GTAC which was reviewed in February 2011 and, subject to receiving GTAC approval, it will be submitted to the UK Medicines and Healthcare products Regulatory Agency (MHRA). Based on these timelines, Oxford BioMedica expects the study to be initiated in H1 2011.

Partnering initiative
Oxford BioMedica takes careful consideration in allocating resources to its products under clinical development, and expenditure on TroVax® is closely monitored. The Company is exploring collaborations through clinical networks which provide significant leverage for Oxford BioMedica's investment and generate key data to further build the value of the product. Partnering TroVax® for Phase III development remains a key strategic priority for the Company.

Market opportunity
At US$47.7 billion, cancer is one of the largest, fastest growing markets in the pharmaceutical industry, according to MarketResearch.com. In prostate cancer, the global vaccine market is expected to reach US$2.3billion in 2017 growing at a compound annual rate of 66% (source: GlobalData) with some analysts forecasting peak sales for Dendreon Inc.'s prostate cancer vaccine of US$4.3 billion in 2020 (Canaccord Genuity). TroVax® is not prostate cancer specific and is administered in the same way as most infectious disease vaccines are given; a simple injection in the arm. If TroVax® is shown to be efficacious in a pivotal registration trial for even just one of the major cancers where it is known that 5T4 is present on the tumours, it has significant potential.

Targeted Antibody Therapy for Cancer
Partnered with Pfizer
Oxford BioMedica licensed global rights to develop antibodies targeting the 5T4 tumour antigen for the treatment of cancer to Wyeth in 2001. The agreement is potentially worth US$24 million plus royalties on product sales, and the next milestone payment is triggered by the start of clinical trials. Following Pfizer's acquisition of Wyeth in 2009 and subsequent portfolio review, Pfizer has indicated its continuing commitment to the collaboration.

Pre-clinical optimisation
Pfizer has responsibility for the development and commercialisation of the 5T4-targeted antibody therapy. The product candidate comprises a toxin linked to a humanised 5T4-specific antibody, which facilitates targeted delivery of the anti-cancer agent payload to cancer cells. Pre-clinical evaluation is on-going to optimise the product for clinical development during 2011 in preparation for an Investigational New Drug application.

Market opportunity
The concept of an anti-cancer therapy, which has antibody-like specificity as well as chemotherapy-like potency, is clearly attractive. The 5T4-targeted antibody therapy has the potential to benefit patients with any solid cancer that expresses the 5T4 tumour antigen, which represents a multi-billion US dollar market. Based on the product's profile, it could have application as a single agent or could be used in combination with other treatments, including therapeutic vaccines, such as TroVax®.

$24m+

Potential worth of agreement with Pfizer for 5T4 tumour antigen collaboration.

Other Products and Technology Licensing

Other products
Oxford BioMedica has some non-core assets where, although development is no longer funded by the Company, there remains significant potential from previously completed clinical and pre-clinical studies. These products include EndoAngio-GT, a gene-based anti-angiogenic therapy for cancer, Hi-8® MEL, a therapeutic vaccine for metastatic melanoma and MetXia®, a gene-directed enzyme prodrug therapy (GDEPT) strategy for pancreatic cancer. Oxford BioMedica aims to realise the value of these assets through partnerships. A divestment process for out-licensing Hi-8® MEL is currently under way. The outcome of this process is currently uncertain. Consequently, an impairment charge of £3.3 million was recognised in respect of Hi-8® MEL in 2010.

Technology licensing
In January 2010 Oxford BioMedica secured exclusive rights to intellectual property owned by Research Development Foundation (RDF), the technology transfer entity for the Clayton Foundation for Research of Houston, Texas that supports the Company's ocular products RetinoStat® and EncorStat®. The purchase was funded by the issue of Oxford BioMedica shares, and as a result RDF acquired 1,699,876 new ordinary shares of 1p each at £0.11575 per share.

In June 2010 Oxford BioMedica signed an amendment to its licence agreement with Cancer Research Technology (CRT) covering the use and exploitation of the 5T4 antigen. This technology underpins TroVax®, the targeted antibody product being developed by Pfizer, and other potential applications. The licence amendment clarifies royalty rates and the timing of royalty payments to CRT, and has allowed us to settle the payment of royalties that had been due to CRT relating to amounts received under the former sanofi-aventis TroVax® agreement. This settlement is staged according to agreed TroVax® commercial and clinical milestones, with an initial cash payment of £100,000, together with the issue of Oxford BioMedica shares valued at £185,316. Accordingly, Oxford BioMedica issued a total of 1,807,961 new ordinary shares of 1p each at £0.1025p per share. Further royalties in respect of the sanofi-aventis TroVax® receipts could become payable when specified future commercial and clinical milestone events occur.

Oxford BioMedica signed a licensing agreement in August 2010 with Emergent Product Development Germany GmbH ("Emergent"), a wholly-owned subsidiary of Emergent BioSolutions Inc. The agreement grants Emergent non-exclusive rights to the Company's Hi-8® PrimeBoost technology patents and a sub-licence under poxvirus patents licensed to us for the development and commercialisation of vaccines and therapeutics targeting eight infectious diseases. Under the terms of the agreement Emergent has paid an upfront licensing fee of $1 million (of which the final part was received in February 2011), potential milestone payments of up to $20.4 million, and undisclosed royalties on sales. The milestone payments are based on specified development successes and will be paid out over several years.

Oxford BioMedica has the potential to enjoy future milestone payments and royalties from a number of licensing agreements with partners who are developing mid- to late-stage products including:

MolMed (2004)
Licensed Oxford BioMedica's retroviral ex vivo gene delivery technology (TK008 in Phase III for transplant rejection in patients with acute leukaemia)

VIRxSYS Corporation (2006)
Licensed Oxford BioMedica's VSV-G viral envelope technology in the production process of its anti-HIV/AIDS product, VRX496 (Phase II)

Bavarian Nordic (2010)
Licensed Oxford BioMedica's heterologous prime-boost technology patents and poxvirus patents (PROSTVACTM is in Phase II for advanced prostate cancer)

Emergent BioSolutions (2010)
Licensed Oxford BioMedica's heterologous prime-boost technology patents and poxvirus patents (Tuberculosis vaccine is in Phase II)

Patent Litigation
In January 2010 Oxford BioMedica reached a global settlement with Bavarian Nordic to resolve the patent litigation by Bavarian Nordic and the Company's oppositions to Bavarian Nordic's European MVA-BN® patents. Under a settlement and cross license agreement, Bavarian Nordic granted a license to its MVA-BN® patents in return for Oxford BioMedica granting a license to its heterologous prime-boost patents and a sub-license under poxvirus patents licensed to Oxford BioMedica by sanofi-aventis. Both Bavarian Nordic and Oxford BioMedica will make undisclosed milestone and royalty payments on the future development of their respective products.

$20.4m

Potential milestone payments from Emergent licensing agreement.

1,699,876

New ordinary shares issued of 1p each at £0.11575 to Research Development Foundation.

Technology Overview – an interview with our Chief Scientific Officer

During 2010, Oxford BioMedica's active clinical programmes grew from one lead product, ProSavin® for Parkinson's disease, to three including TroVax® for hormone refractory prostate cancer and RetinoStat® for "wet" age-related macular degeneration (AMD). Over the next 12-18 months, the Company aims to have six products in clinical development as the additional ocular products, partnered with sanofi-aventis, move into first-in-man studies. This would create the largest clinical development pipeline in Oxford BioMedica's history and here, Dr Stuart Naylor answers some of the key Research & Development questions he is often asked.

Dr Stuart Naylor
Chief Scientific Officer

What makes Oxford BioMedica a leader in its field?
Firstly, I would say that biotechnology companies have been successful when there has been a good fit between proprietary technology and target indications. We believe that we have the perfect alignment with our gene therapy "toolbox" and the disease areas we are pursuing. For example, the LentiVector® platform is ideal for delivering therapeutic genes into non-dividing cells, such as those found in the brain and the eye, and provide local, sustained therapy targeting the root of the disease. Therefore, chronic degenerative diseases such as Parkinson's disease and macular degeneration go hand in glove with our technology.

Secondly, such cutting edge science demands specialist expertise to advance products through clinical development. We have a dedicated team of highly skilled, passionate employees covering multiple disciplines including scientific, manufacturing, regulatory and medical experts.

What has been Oxford BioMedica's biggest R&D achievement to date?
Our R&D team is driven by the unwritten credo that we can turn complex science into clinical reality. In terms of recent success, in April 2009 we signed the collaboration agreement with sanofi-aventis to advance four novel, pre-clinical ocular product candidates into first-in-man studies with some challenging timelines that we have worked very hard to meet. Both teams were delighted with the RetinoStat® IND approval in November 2010 which represents not only timely delivery, but also FDA approval for the first clinical trial in the USA using our LentiVector® platform technology; paving way for subsequent product applications.

What are the current challenges of gene therapy and immunotherapy?
For gene therapy; clinical, regulatory and manufacturing strategies are key factors. Novel therapeutic approaches need to be developed sensitively and we have always strived to work closely with the regulatory agencies. The guidance that develops from building relationships with regulatory bodies is instrumental in taking this exciting approach to medicine forward. Oxford BioMedica has also focused on establishing clinically appropriate manufacturing processes as early as possible and we are pleased to have acquired our own manufacturing facility in February 2011 which will allow us to support our five core LentiVector® platform products through to market.

Immunotherapy has had a chequered past in terms of Phase III success. In most cases, I think the field has been frustrated by the inability to detect robust, reproducible therapeutic immune responses in the clinical setting and thereby compromising the ability to link the cause and effect i.e. linking therapeutic immune response to signs of clinical benefit. TroVax® stands apart from many in that it is a cancer vaccine that elicits a potent and, importantly, a readily definable response. Our immunology team has been responsible for developing world-class monitoring for our studies that has led to confidence that the anti-tumour immune response elicited by TroVax® acts as a biomarker for predicting clinical benefit. This has been used to reconfigure clinical development to target a more responsive patient population.

Is TroVax® a vaccine that can stop people from developing cancers?
Currently we see TroVax® as a therapeutic vaccine i.e. treating patients with existing disease. This is our current clinical development focus and will allow us the quickest route to registration. However, TroVax® could potentially be a valuable adjunct to early intervention; for example in the context where a primary tumour has not spread and is resected by surgery. In that setting, in theory TroVax® could potentially be provided around the time of surgery to prevent seeding of metastatic deposits and prevent re-growth of cancerous cells.

How far has gene therapy got to in the commercial world and what do the regulators make of it?
Gene therapy has yet to break through into the commercial world, however we believe our pipeline has significant commercial opportunity. Not only do our products address unmet medical needs but they also have the potential to create new treatment paradigms for current medical practice.

We have worked closely with the EU and US regulatory bodies from the earliest stages of development to build strong relationships, help them understand our technology and also to listen to any concerns that we need to address through development. On those foundations and in that sentiment, the regulators have acknowledged that gene therapy can address medical needs that are not met by other approaches and are engaged with our approach.

Why use equine infectious anemia virus (EIAV) versus adeno-associated virus (AAV)?
In terms of the profile, both viral vector systems can provide long-term therapy however we believe that the LentiVector® platform (which utilises EIAV) is less likely to disturb the body's immune system and can deliver genes in a more predictable fashion with more predictable expression characteristics. In addition, unlike AAV, the LentiVector® platform technology can carry a bigger therapeutic cargo e.g. three genes required for dopamine synthesis in ProSavin®, and can also carry genes that cannot fit into AAV such as those needed to address Stargardt disease and Usher syndrome 1B.

How do you make the LentiVector® platform products?
We use a cell-based production process where the LentiVector® platform products bud out of producer cells into the growth media. This is harvested and purified in a multi-stage downstream process, before being stored in glass vials for clinical use. The whole process can take up to six months for a large clinical batch but can be stored for ~three years without loss of activity. It is a highly complex process which is why we are enhancing our manufacturing capabilities to support our products.

With RetinoStat® competing with other treatments, and the other three products addressing niche markets, why is the ocular programme so valuable?
In some ways, the same reasons I will explain also apply to ProSavin®. Both RetinoStat® and ProSavin® aim to address a severe degenerative disease in an entirely novel way by the provision of long-term therapeutic benefit and consequent protection following single treatment delivery. Recent treatments for "wet" AMD have shown to be effective but often require frequent, repeated administration to the eye to maintain long-term treatment effect. RetinoStat® aims to intervene with the same pathway (pathological formation of aberrant, leaky vessels) but with only a single application to provide a long-term guardian to the retina. RetinoStat® could address a big market (with potential to broaden into other indications such as diabetic macular oedema) so the commercial opportunity is significant. With the retinal dystrophies, Stargardt disease and Usher 1B, we believe that if the clinical programme suggests vision stabilisation there are many other sight disorders underpinned with faulty genes that could be addressed in an analogous way, simply by changing the lentiviral vector cargo.

Why have you only treated a small number of patients in the ProSavin® Phase I/II study?
The ProSavin® Phase I/II study is a cautious approach to a potentially revolutionary treatment for Parkinson's disease. This is the first time that a LentiVector® platform product is being directly administered to the brain. Starting with the lowest dose, each patient must be treated and then monitored for one month before the next can be treated. Following this, an independent safety monitoring board reviews the data after three months before we can proceed to the next dose level. Furthermore, we have developed an enhanced administration technique which uses less needle tracks, reduces surgery delivery time and facilitates dose increase. Further safety data was required to approve this new procedure which will ultimately accelerate overall development and expand the market opportunity in the future. We are now treating patients with the higher dose of ProSavin® and look forward to reporting these results in 2011.

Do you do everything in-house? What can Big Pharma do that you can't?
We manage internal resources carefully to ensure that the specialist aspects of gene therapy development, including manufacturing, remain under our close control. More generic activities such as routing testing, toxicology and clinical monitoring activities are outsourced. This is appropriate for a company at our stage of development. Big Pharma is particularly strong in later stage clinical development, supporting regulatory filings for licensure and embarking on commercialisation which is why a key part of our strategy is to seek partnership deals to maximise the potential of our novel products.

Financial Review

2010 was a year of significant developments for Oxford BioMedica, culminating in the raising of £20 million before expenses in a placing and open offer which closed on 10 January 2011. The new strength that this has brought to the cash position in 2011 gives us a sound platform from which to reach key value-generating events in the future.

Andrew Wood
Chief Financial Officer

Financial overview

2010 saw progress in all three of Oxford BioMedica's lead programmes, ProSavin®, the ocular products and TroVax®. With a full year of the funded ocular R&D programme, R&D expenditure on these products and the corresponding revenue both increased in 2010. Administration expenses were lower than 2009, in particular because the high legal costs in relation to patent litigation in 2009 came to an end. We recognised an exceptional research and development charge of £3.9 million in 2010 from impairment of intangibles, in particular a further write-down in the carrying value of Hi8®-MEL which we acquired in 2007 and are in the process of divestment. In 2009 an exceptional net profit of £6.0 million related to the termination of the TroVax® collaboration and the revised strategy for TroVax® development. Before exceptional items, the net loss for 2010 was 33% lower than 2009 at £6.3 million. Including exceptional items the 2010 net loss was £10.3 million (2009: £3.5 million).

Cash, cash equivalents and current financial assets at 31 December 2010 amounted to £12.3 million, and were added to by net proceeds of £18.4 million from the placing and open offer in January 2011.

Revenue £11,153,000 (2009: £19,120,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Ocular collaboration revenue	10,286	6,224	-	-	-
TroVax® collaboration – non-exceptional revenue	-	2,609	18,064	6,970	-
Prime-boost technology licence revenue	648	-	-	-	-
Technology licences & other revenue	219	198	330	249	760
Total non-exceptional revenue	**11,153**	**9,031**	**18,394**	**7,219**	**760**
TroVax® collaboration – exceptional revenue	-	10,089	-	-	-
Total revenue	**11,153**	**19,120**	**18,394**	**7,219**	**760**

The ocular collaboration with sanofi-aventis which was initiated in April 2009, contributed the majority of the Group's income in 2010. The collaboration has two elements: an upfront payment of US$26 million (£16.6 million) which was received in 2009, and R&D funding of up to US$24 million which is receivable over the current phase of the collaboration. Revenue recognised for this collaboration comprised £4.7 million in respect of the upfront payment (2009: £3.1 million) and £5.6 million of R&D funding (2009: £3.1 million). Deferred income of £9.3 million is expected to be recognised between 2011 and 2013. In addition, $1 million (£0.6 million) was recognised in 2010 in respect of the prime-boost technology licence with Emergent BioSolutions.

Cost of sales credit £593,000 (2009: expense of £437,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Royalty payable on third party licenses:					
Non-exceptional (credit)/ cost of sales	(593)	(90)	1,295	449	-
Exceptional cost of sales	-	527	-	-	-
Total cost of sales	**(593)**	**437**	**1,295**	**449**	**-**

Cost of sales is the royalty payable to third party licensors attributable to upfront and milestone payments that are recognised as revenue. In 2010 we wrote back an accrual of £1.1 million on re-negotiation of the licence with Cancer Research Technology (CRT) covering the 5T4 cancer antigen. Dependent on certain future commercial milestones that relate to the partnering, development and approval of TroVax®, up to £1.1 million could become payable to CRT. A further write-back of £545,000 was made in respect of this licence in 2009, recognised within non-exceptional cost of sales, following a reduction in the estimated royalty rate.

Operating expenses before exceptional items £19,850,000 (2009: £20,955,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Non-exceptional research and development costs	15,931	14,899	22,482	22,142	19,523
Non-exceptional administrative expenses	3,919	6,056	3,840	4,282	2,699
Total non-exceptional operating expenses	**19,850**	**20,955**	**26,322**	**26,424**	**22,222**

Non-exceptional operating expenses were £1.1 million lower than 2009 at £19.9 million, principally due to lower administrative expenses, in particular legal costs, staff costs and foreign exchange differences. This was offset by an increase of £1.0 million in R&D costs, of which £0.7 million was due to amortisation of intangibles. The balance of R&D spending moved further away from TroVax® and towards ProSavin® and the ocular products. Increased ocular spending was matched by an increase in revenue receivable from sanofi-aventis.

Research & development costs (pre-exceptional) £15,931,000 (2009: £14,899,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
External preclinical & clinical costs	7,077	6,328	13,397	11,833	11,153
In-house R&D costs UK	7,752	8,138	8,660	9,848	7,983
In-house R&D costs USA	403	433	425	461	387
Amortisation of intangibles	699	-	-	-	-
Total non-exceptional research & development costs	**15,931**	**14,899**	**22,482**	**22,142**	**19,523**

R&D costs comprise external costs (preclinical studies, GMP manufacturing, regulatory costs, and clinical trials), in-house expenditure (staff, R&D consumables, intellectual property, facilities and depreciation of R&D assets) and amortisation of intangibles. External clinical and preclinical costs from 2006 to 2008 had been high due to TroVax® development, particularly the TRIST study. In 2009 and 2010 the balance of expenditure shifted away from TroVax®, which accounted for less than 5% of external costs in 2010, to ProSavin® and particularly to the ocular programme which is funded by sanofi-aventis. In-house R&D costs in 2010 were 5% lower than 2009. Amortisation of intangibles (£0.7 million in 2010) is a systematic charge to the income statement to write off capitalised intellectual property rights over their expected useful lives.

Administrative expenses (pre-exceptional) £3,919,000 (2009: £6,056,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Administrative staff costs	1,977	2,815	2,016	1,958	1,123
Legal costs	270	1,411	867	852	353
Net foreign exchange (gains)/ losses	(58)	465	(695)	3	2
Other administrative expenses	1,730	1,365	1,652	1,469	1,221
Total non-exceptional administrative expenses	**3,919**	**6,056**	**3,840**	**4,282**	**2,699**

Non-exceptional administrative expenses of £3,919,000 in 2010 were £2.1 million (35%) lower than 2009. Legal costs charged to the income statement reduced from £1.4 million to £0.3 million, largely due to the costs in 2009 of defending patent litigation brought by Bavarian Nordic. In January 2010 the Bavarian Nordic litigation was settled. Foreign exchange gains, compared to losses in 2009, account for a further £0.5 million of the cost reduction. Administrative staff costs were £0.8 million (30%) lower than 2009 due to lower bonuses and share-related costs.

Headcount

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
R&D headcount (year end)	65	53	64	69	63
Administrative headcount (year end)	10	12	12	13	10
Total headcount at year end	**75**	**65**	**76**	**82**	**73**
R&D headcount (average for the year)	62	58	73	68	62
Administrative headcount (average for the year)	11	11	12	12	10
Total headcount (average for the year)	**73**	**69**	**85**	**80**	**72**

Over 2010 there has been a gradual re-building of R&D staff numbers, although we are still well below the peak levels in mid 2008 prior to the TRIST setback. One full-time employee and one part-time employee are based at the wholly owned subsidiary, BioMedica Inc, in San Diego, USA. All other staff are based at the main offices and laboratories in Oxford, UK.

Exceptional operating expenses £3,949,000 (2009: £3,561,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Research and development costs:					
Arising on termination of the TroVax® collaboration	-	676	-	-	-
Provision for TRIST study close-out	-	2,202	-	-	-
Write-off re planned Quasar clinical trial	-	514	-	-	-
Impairment of intangible assets	3,949	-	4,561	-	-
Total exceptional research and development costs	**3,949**	**3,392**	**4,561**	**-**	**-**
Administrative expenses:					
Arising on termination of the TroVax® collaboration	-	169	-	-	-
Restructuring costs	-	-	-	335	-
Total exceptional administrative expenses	**-**	**169**	**-**	**335**	**-**
Total exceptional operating expenses	**3,949**	**3,561**	**4,561**	**335**	**-**

Exceptional items are described fully in note 5 to the financial statements. An impairment charge of £3.9 million relating to Hi8®-MEL and two smaller technology assets was recognised in 2010. Exceptional costs in 2009 related to the termination of the TroVax® collaboration with sanofi-aventis, and the revision of the development strategy for TroVax®. The provision for TRIST closure costs that was set up in 2009 was fully utilised by the end of 2010.

Finance income £207,000 (2009: £636,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Interest receivable – bank	213	642	1,661	2,113	1,743
Other interest receivable	9	27	1	4	-
Interest payable – discount on provisions	(14)	(10)	(19)	(30)	(29)
Other interest payable	(1)	(23)	(5)	-	-
Net finance income	**207**	**636**	**1,638**	**2,087**	**1,714**
Average balance on deposit in the year	16,375	24,549	28,941	37,731	37,689
Average rate of interest on deposits	1.29%	2.61%	5.73%	5.58%	4.62%

The Group places its cash in bank deposits for periods of up to 12 months and generates interest on those deposits. The maturity profile of deposits is intended to match planned expenditure. Lower net interest receivable in 2010 reflects lower interest rates and a lower amount of funds on deposit. The dramatic fall in market rates from the end of 2008 had a full-year effect in 2010, when the average return on deposits was just 1.29%. In the early part of 2009, deposits that had been placed earlier in 2008 continued to earn higher rates of interest. The Group has no debt, but is recognising as a finance expense the discount on a lease provision and a dilapidation provision. The modest increase in rates over 2010 is reflected in a slightly higher charge.

Tax credit £1,514,000 (2009: £1,579,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
UK R&D tax credit – current year	1,331	1,650	2,119	2,526	1,709
UK R&D tax credit – prior year adjustment	239	-	(72)	-	75
Overseas tax payable – current year	(70)	(61)	(59)	(60)	(38)
Overseas tax payable – prior year adjustment	14	(10)	4	(14)	16
Net tax credit	**1,514**	**1,579**	**1,992**	**2,452**	**1,762**
Debtor for R&D tax credit	1,331	2,269	2,119	2,623	2,309

Oxford BioMedica's UK operating subsidiary is entitled to claim R&D tax credit. The credit is based on certain eligible expenses, to which a mark-up of 75% and a tax rate of 14% are applied, restricted where appropriate to the lower of UK payroll tax (Income Tax and National Insurance) and Corporation Tax losses. The reimbursement of R&D costs by sanofi-aventis reduces net eligible expenses for R&D credit, and this has resulted in a lower tax credit for 2010. This was offset by an increase of £239,000 in the amount of tax credit received in respect of 2009, compared to the estimate in the 2009 financial statements. The Group's US subsidiary supplies services to the UK subsidiary subject to a fixed mark-up. Interest is charged by the subsidiary at statutory rates for an inter-company loan. This generates a low level of taxable income in the USA.

Loss for the financial year before exceptional items £6,341,000 (2009: £9,516,000). Loss for the financial year including exceptional items £10,290,000 (2009: £3,515,000)

Before exceptional items, the lower net loss in 2010 is attributable principally to increased revenue from the sanofi-aventis ocular collaboration, the write-back of accrued cost of sales royalties and lower administrative expenses. As a result of an exceptional impairment charge of £3.9 million in 2010, compared to the exceptional net profit in 2009 related to TroVax® of £6.0 million, the Group recorded a higher net loss including exceptional items than in 2009.

Intangible assets £6,683,000 (2009: £11,119,000)

Intangible assets at 31 December 2010 were £4.4 million lower than 2009 due principally to the recognition of an impairment charge (classified as an exceptional research and development cost) of £3.9 million and amortisation (classified as a non-exceptional research and development cost) of £0.7 million. No impairment or amortisation was recognised in 2009. Intangible asset additions of £0.2 million in 2010 related to two patents supporting ocular gene therapy products.

Trade and other receivables £4,795,000 (2009: £4,628,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Trade receivables	394	88	106	91	241
Accrued income	1,366	1,925	-	34	223
Other costs recoverable from sanofi-aventis	-	-	3,913	109	-
Other receivables	108	298	481	1,020	765
Prepaid clinical trial expenses	368	70	790	969	-
Prepaid royalty on deferred income	992	1,465	870	1,330	11
Prepaid costs of share issues	777	-	-	-	-
Other prepayments	531	487	652	587	592
Other tax receivable (VAT and US income tax)	109	150	333	414	220
Rent deposit on US lease	150	145	160	118	150
Total trade and other receivables	**4,795**	**4,628**	**7,305**	**4,672**	**2,202**

Trade and other receivables at 31 December 2010 were just a little higher than 2009 at £4.8 million. Accrued income of £1.4 million (2009: £1.9 million) comprised R&D funding recoverable from sanofi-aventis. Costs of £0.8 million relating to the placing and open offer which closed on 10 January 2011 were classified as prepayments at 31 December 2010, and were charged to the share premium account in 2011.

Trade and other payables £3,923,000 (2009: £7,669,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Trade payables	1,277	1,965	3,298	2,948	1,579
Accruals – clinical & preclinical costs	833	1,924	3,924	3,536	1,782
Accruals – royalties on sales	34	1,788	2,259	1,483	68
Accruals – staff costs	579	639	94	2,10	74
Accruals – share issue costs	525	-	-	-	-
Accruals – other	536	1,049	847	962	853
Other taxation and social security	139	304	136	418	315
Total trade and other payables	**3,923**	**7,669**	**10,558**	**9,557**	**4,671**

Trade and other payables reduced further in 2010. The reduction in accrued royalties on sales included the impact of writing back an accrual of £1.1 million for royalty payable to Cancer Research Technology.

Deferred income £9,402,000 (2009: £13,765,000)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Ocular deferred income (current)	5,121	4,665	-	-	-
Ocular deferred income (non-current)	4,201	9,024	-	-	-
Other deferred income (current)	80	76	119	90	92
TroVax® deferred income	-	-	8,324	18,823	-
Total deferred income	**9,402**	**13,765**	**8,443**	**18,913**	**92**

Deferred revenue reflects payments received under licensing agreements that exceed the amount of recognised revenue. The initial receipt in 2009 from the ocular collaboration with sanofi-aventis is being recognised as revenue over a period of 42 to 51 months.

Share issues

At the end of 2010, the Company had 544,875,557 shares in issue. During the year, shares issued for cash raised £0.2 million. In addition, shares valued at £0.2 million were issued to settle a royalty debt due to Cancer Research Technology. Subsequent to the year end, on 10 January 2011 the Company issued 400,000,000 new ordinary shares in a placing and open offer, raising £20.0 million before expenses. Expenses of £0.8 million were incurred during 2010 in respect of this share issue, included in prepayments at 31 December 2010 and charged to the share premium account in 2011. Further costs of £0.8 million were incurred in closing the share issue in 2011.

Cash, cash equivalents and available for sale investments £12,256,000 (2009: £25,302,000). Cash burn £13,038,000 (2009: cash generated £3,026,000)

The total of cash, cash equivalents and available for sale investments at the end of 2010 was in line with expectations at £12.3 million. The format of the cash flow statement under IFRS does not readily confer an assessment of cash burn (a measure often used in the biotechnology sector). Cash burn is the aggregate of cash from operating activities, proceeds of sale of property, plant and equipment and fixed asset investments, purchases of property, plant and equipment and intangible assets, and interest received. It was £13.0 million in 2010, compared to a net cash inflow in 2009 of £3.0 million.

Financial outlook

Successful developments with ProSavin®, the ocular products and TroVax®, throughout 2010 have maintained the Group's progress towards its objectives to secure a development partner for ProSavin®, to move the ocular drugs in the collaboration with sanofi-aventis into the next (Phase II) stage of development and to re-partner TroVax®. These objectives are expected to add value and to generate significant cash inflows over the next 1-2 years. The fundraising of £20 million before expenses secured on 10 January 2011 provides the financial strength to allow the Group to move forward with confidence, and the resources to be able to co-invest in the next stages of ProSavin® development, and to invest in a manufacturing facility for LentiVector® platform products.

The Group has a strong platform from which to build a sustainable, profitable business. We aim to develop the product pipeline through a combination of focussed investment in certain programmes, together with partnerships and collaborations. Sustainable profitability will depend on the ability of Oxford BioMedica and its collaborators to develop and bring to market safe and effective medicines that benefit patients and achieve commercial success. We also continue to explore opportunities to accelerate profitability through value-enhancing corporate activity.

The Board of Directors

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01. Dr Alan Kingsman
Non-Executive Chairman
Dr Alan Kingsman, age 60, is co-founder of Oxford BioMedica and served as Chief Executive Officer from 1996 to 2008. He was appointed non-executive Chairman in July 2008. Dr Kingsman is an internationally recognised authority on gene expression and retrovirus research and has over 25 years' experience in this field, including 17 years as co-director of the Retrovirus Molecular Biology Group within the Biochemistry department of the University of Oxford. Until recently, he continued to hold the title of Professor of Biochemistry at Oxford University and is a former fellow of St. Catherine's College, Oxford. Dr Kingsman has published extensively in the field and is named inventor on numerous patent applications and issued patents. He has acted as an adviser or consultant to UK research councils, the World Health Organisation (WHO) and a number of UK and international companies.

02. John Dawson
Chief Executive Officer
John Dawson, age 51, joined Oxford BioMedica's Board as a non-executive Director on 1 August 2008. He was then appointed Chief Executive Officer on 13 October 2008, having served as Acting Chief Executive Officer since 29 August 2008. 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.

03. Andrew Wood
Chief Financial Officer
Andrew Wood, age 52, has been a Director of Oxford BioMedica since 1996. He is a Chartered Accountant with wide experience of financial management in a number of industries. Mr Wood also holds a first class degree in biochemistry from Oxford University. Before joining Oxford BioMedica he was Finance Director at the Yorkshire Cable Group (part of General Cable). Previously, Mr Wood held senior financial positions with subsidiaries of the Burton Group, Associated Newspapers and Fenner plc.

04. Dr Stuart Naylor
Chief Scientific Officer
Dr Stuart Naylor, age 47, joined Oxford BioMedica in 1997 and was appointed to the Board in July 2008. He established an international reputation at two world class cancer institutes; the Imperial Cancer Research Fund and the Institute of Cancer Research. Dr Naylor's career has covered many aspects of tumour biology from its molecular basis to the clinic. He has published numerous primary and review articles notably in the field of cytokine research and brings with him an extensive network of collaborators in many aspects of basic research and clinical oncology.

05. Peter Nolan
Executive Director and Senior Vice President, Commercial Development
Peter Nolan, age 57, was appointed to Oxford BioMedica's Board in May 2002, having been a senior member of the Company since its foundation. He is also a Director of the UK BioIndustry Association and is a past 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 & Industry for eight years. In that role, he was responsible for establishing and managing complex collaborative research programmes involving industry, research councils and other government departments. Previously, Mr Nolan 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.

06. Nick Rodgers
Deputy Chairman and Senior Independent Director
Nick Rodgers, age 52, was appointed to Oxford BioMedica's Board in March 2004. He is a former investment banker with considerable experience in the life sciences sector. Mr Rodgers is now Chief Executive Officer of Ipso Ventures plc, an intellectual property commercialisation business, having been Head of Life Sciences and joint Head of Corporate Finance at Evolution Beeson Gregory until December 2003. He joined Beeson Gregory in 1989 from accountants Ernst & Young, having also worked in the listing department of the London Stock Exchange. Mr Rodgers is a non-executive Director of Morvus Technology Ltd and TMO Renewables Ltd. He is Chairman of Oxford BioMedica's audit committee.

07. Dr Paul Blake
Non-Executive Director
Dr Paul Blake, aged 62, was appointed to Oxford BioMedica's Board in January 2010. Dr Blake has over 30 years international pharmaceutical/biotech experience, and is currently 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.

08. Dr Andrew Heath
Non-Executive Director
Dr Andrew Heath, aged 62, was appointed to Oxford BioMedica's Board in January 2010. Dr Heath is a healthcare and biopharmaceutical executive with experience of both US and UK capital markets. 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 plc for £220 million in 2008. Prior to this, Dr Heath was President and Chief Executive Officer of Aerogen Inc, having previously held senior positions at Astra AB and Astra USA, including Vice President Marketing & Sales, and at Glaxo Sweden as Associate Medical Director. He currently serves as Chairman of Anew Optics Inc. and as a non-executive Director of Morvus Technology Ltd, XL Tech Group Inc. and Pioneer Technology Inc. Dr Heath is also a Director of the BioIndustry Association.

09. Dr Alex Lewis
Non-Executive Director
Dr Alex Lewis, age 47, was appointed to Oxford BioMedica's Board in April 2008. Dr Lewis is an experienced consultant to the pharmaceutical and biotech industry with a background in medical research and drug development (24 years). He is Director, Transactions and Due Diligence at Datamonitor. Previously, he was head of the Partnering and Due Diligence practice of consultants Wood Mackenzie. Dr Lewis has been involved in the provision of expert reports and technical advice for the initial public offerings (IPOs) and fundraising activities for biotech companies based in the US and Europe. He is Chairman of Oxford BioMedica's remuneration committee.

Principal Risks and Uncertainties

Risk assessment and evaluation is an integral part of Oxford BioMedica's planning. Most of the Company's risks and uncertainties are common to all development-stage biopharmaceutical companies. Where possible, the Company's strategy is designed to manage and mitigate these issues. The Board has overall responsibility for the Group's systems of risk management and internal control. The management structure of the Group allows the Executive Directors to be personally involved in all material aspects of risk assessment, management and mitigation. The Board members have relevant qualification and experience, and they have access to external resources where required. The Board meets regularly and frequently enough for the full Board to stay informed in a timely manner and to oversee this activity. The following are the principal risks and uncertainties facing the business.

Intellectual Property and Patent Protection Risk
Oxford BioMedica's commercial 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 Company's intellectual property portfolio. There can be no assurance that Oxford BioMedica's products and technologies are adequately protected by intellectual property. If proceedings are initiated against the Company's patents, the defence of such rights could involve substantial costs and an uncertain outcome.

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

Rights of ownership over, and rights to licence 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 license agreements will not affect the entitlement of the Company to the relevant intellectual property or to license the relevant intellectual property from others.

Pre-clinical and Clinical Development
Oxford BioMedica currently has three products, ProSavin®, TroVax® and RetinoStat®, in active clinical trials. Results of pre-clinical studies are not necessarily indicative of results that may be obtained in clinical trials. The projected timetables for continued development of the technologies and related product candidates by the Company and/or its partners or licensees may be otherwise subject to delay or suspension. There is a risk that the failure of any one product candidate could have a significant and sustained adverse impact on the Company's share price.

Furthermore, there is a 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 Company's ability to enter into collaborations in respect of product candidates, or to raise additional funds.

Safety and Regulatory Risk
The clinical development and marketing approval of Oxford BioMedica's product candidates are regulated by healthcare regulatory agencies, such as the FDA, EMA, AFSSAPS and MHRA, in respective territories. The Company must conduct pre-clinical studies and clinical trials for each of its product candidates to demonstrate safety and efficacy; however, there can be no assurance that the data collected will be sufficient to satisfy the relevant regulatory authorities. In addition, the continuation of a particular study, after review by an independent data safety monitoring board or review body does not necessarily indicate that all clinical trials will ultimately be successfully completed.

During the development stage, regulatory reviews of clinical trial applications or amendments can prolong our anticipated development timelines. Similarly, there can be no assurance of gaining the necessary marketing approvals to commercialise our products. Each regulatory authority may impose its own restrictions on the product's use or may require additional data before granting approval.

Safety or efficacy issues may arise at any stage of the drug development process. Adverse or inconclusive results from pre-clinical testing or clinical trials may substantially delay, or halt, the development of Oxford BioMedica's product candidates, consequently affecting the Company's timelines for profitability. If regulatory approval is obtained, the product and manufacturer will be subject to continual review and there can be no assurance that such an approval will not be withdrawn or restricted.

Collaboration and Third-Party Risk
Collaborations and licensing are an important component of Oxford BioMedica's strategy to realise value and manage risk. The Company is dependent on the successful outcome of relationships with outside parties as part of research, development, manufacture, commercialisation and marketing of products. There can be no assurance that the Company's existing relationships will not be terminated or require re-negotiation for reasons that may be unrelated to the potential of the programme.

Circumstances may also arise where the failure by collaborators and third parties, such as contract manufacturers, to perform their obligations in accordance with our agreements could delay, or halt entirely, development, production or commercialisation of our products, or adversely impact our cash flows. Currently, the Company's most important collaborators are sanofi-aventis and Pfizer. If the relationship with either of these parties is adversely affected, Oxford BioMedica's development programme may also be adversely impacted.

Pharmaceutical Pricing and Government Risk
The ability of Oxford BioMedica and its partners to commercialise their products may depend on the availability of reimbursement from government health administration authorities, private health coverage insurers and other organisations. There is no assurance that adequate reimbursement will be available or that satisfactory price levels will be reached.

If satisfactory pricing cannot be obtained, the Company's future profitability would be adversely affected. In addition, there is increasing pressure by certain governments to contain healthcare costs by limiting both coverage and the level of reimbursement. Based on pre-clinical studies, Oxford BioMedica'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.

All governments reserve the right to amend their policies in relation to the full, partial or non-reimbursement of the price of pharmaceutical products. These policies are subject to change at any time in any country and can impact profoundly upon the pharmaceutical industry as a whole or in part.

Competition Regulation and Risk
Oxford BioMedica is subject to UK and EU competition law, which may impose fines on companies which enter into agreements that restrict competition in the EU, e.g. licenses or patents which restrict competition. The Company's competitors and potential competitors include major pharmaceutical and biotechnology companies who may have superior research and development capabilities, drugs, manufacturing capability or marketing expertise.

Through the Company's collaborative strategy, Oxford BioMedica aims to work with leading companies in respective therapeutic areas. However, there can be no assurance that competitors will not succeed in establishing superior proprietary positions and developing products and technologies that are more effective or economic than the Company's.

Financial Risk
The Company is of the opinion that, taking into account existing cash balances and the net proceeds of the placing and open offer which closed on 10 January 2011, the Group has sufficient working capital for its present requirements. Oxford BioMedica's future capital requirements to support operating activities and to implement Oxford BioMedica's business strategy are not yet known and will depend inter alia on the amount of new commercial funding that it can generate.

Oxford BioMedica's strategy is to add value to its priority in-house programmes by investing in further development. The Company aims to offset operating costs through partnering and other licensing income. Under the terms of the Company's current collaborations, the receipt of further income is dependent on the achievement of specific milestones related to development, regulatory or commercial progress.

Similarly, the timing and magnitude of income from new collaborations is inherently unpredictable.

It is possible that the Company may require additional financing for the future operation of its business, including further equity funding as appropriate where dilution to the then existing Shareholders may result. The level and timing of future expenditure will depend on a number of factors, many of which are currently outside Oxford BioMedica's control. There is no certainty that adequate financial resources will be available on a timely basis.

Staff Risk
While Oxford BioMedica has employment contracts with all of its personnel, the retention of their services cannot be guaranteed. Recruiting and retaining key management and scientific personnel is critical to the Company's success. The loss of those employees could weaken Oxford BioMedica's scientific and management capabilities, resulting in delays in the development of its drugs and impacting negatively on the Company's business.

Manufacturing Risk
Oxford BioMedica's product candidates use specialised manufacturing processes for which there are few suitable manufacturing contractors. There can be no assurance that the Company's current contractors will continue to make capacity available at economic prices, or that suitable new contractors will enter the market. Oxford BioMedica is mitigating this risk by investing in its own manufacturing capability. There is no guarantee that the in-house capability that the Company is seeking to commission will be able to supply material for clinical use on a timely and cost effective basis.

Manufacturing processes that are effective and practical at the small scale required by the early stage of clinical development may not be appropriate at the higher scale required for later stages of clinical development or for commercial supply. There can be no assurance that Oxford BioMedica 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 the in-house facility or external contractors will be able to provide sufficient manufacturing capacity when required.

Gene Therapy Risk
No gene-based medicines are currently approved for sale in the USA or EU. The commercial success of Oxford BioMedica's products will depend, in part, on acceptance by the medical community and the public. Furthermore, specific regulatory requirements, over and above those imposed on other products, apply to gene therapy 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 the Company's products.

Application of the principles in the FRC combined code on corporate governance

The policy of the Board is to manage the affairs of Oxford BioMedica to the highest standards of corporate governance and in accordance with the principles of good governance and the code of best practice as set out in the FRC combined code on corporate governance as revised in June 2008 (the 'Combined Code'). A copy of the code is available from www.frc.org.

The Board considers that it has complied throughout the year with the provisions for companies set out in Section 1 of the Combined Code, unless otherwise indicated below.

Compliance with the provisions of the Combined Code

The Board

Oxford BioMedica is led and controlled by a Board currently consisting of a Chairman, four Non-Executive Directors and four Executive Directors. Up to July 2010 there were five Executive Directors. As set out in their biographies on pages 38-39, the Directors have significant experience of the management and development of a biopharmaceutical group and of pharmaceutical research and the new drug development process. There is a clear division of responsibilities, set out in writing, between the Chairman and Chief Executive Officer. The Board considers that the Non-Executive Directors (other than the Chairman) are independent of management. All Directors have access to advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole to consider. Provision A2.2 of the Combined Code requires that the Chairman should meet the independence criteria on appointment. The present Chairman was until July 2008 the Chief Executive Officer, and for the first year of his tenure as Chairman held an executive position. Hence he did not meet this requirement. The Chairman also holds share options and Long Term Incentive Plan Awards that were granted when he was CEO and while he was Executive Chairman, which is contrary to the requirements for independence set out in provision A.3.1. Since July 2009, and throughout 2010, the position of Chairman has been non-executive. As in the preceding year, the Chairman has no significant external commercial commitments that would impact the performance of his duties. Provision A.3.2 of the Combined Code requires a small company to have at least two independent Non-Executive Directors. The Company has fully met this requirement.

Board meetings

The Board meets regularly and at least eight times per year, with meeting dates agreed for each year in advance. There is a formal schedule of matters reserved to the Board for its decision. The schedule covers senior appointments, business strategy and budgets, substantial transactions, contracts and commitments, financing treasury and risk policies, and the approval of certain documents and announcements including the Annual Report. There is frequent contact between Executive and Non-Executive Directors, and each Director is supplied on a timely basis with financial and operational information sufficient for the Board to discharge its duties. All Directors have access, as required, to independent professional advice. During 2010 there were 10 Board meetings. The attendance of individual Directors at Board meetings was as follows:

Director	Number attended	Number of meetings
Dr Alan Kingsman	9	10
Dr Paul Blake	10	10
Dr Andrew Heath	10	10
Dr Alex Lewis	10	10
Nick Rodgers	9	10
John Dawson	10	10
Dr Stuart Naylor	9	10
Peter Nolan	10	10
Andrew Wood	10	10
Nick Woolf[1]	3	5

1. Nick Woolf resigned from the Board on 30 June 2010.

As required, the Chairman holds meetings with Non-Executive Directors without the Executive Directors in attendance.

Board committees
As appropriate, the Board has delegated certain responsibilities to Board committees, which operate within defined terms of reference and constitution. There is a Remuneration Committee, the report and membership of which is set out on pages 50-55. The Remuneration Committee met five times in 2010. All meetings were attended by all three members.

Audit Committee
There is also an Audit Committee. Throughout 2010 the Audit Committee comprised three Non-Executive Directors: Nick Rodgers (chairman), Dr Alex Lewis and Dr Andrew Heath. The Board consider that all the members of the Audit Committee possess recent and relevant financial experience. The Audit Committee has written terms of reference which have been published on the Company's web site. It 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. It reviews internal financial controls and the internal control and risk management systems. It makes recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors.

PricewaterhouseCoopers LLP have been auditors to the Company and the Group since 1997. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. Accordingly it has not considered it necessary to date to require the firm to tender for the audit work. There are no contractual obligations restricting the Company's choice of external auditor. The incumbent independent auditors continue to operate procedures to safeguard against the possibility that their objectivity and independence could be compromised. This includes the use of a quality review partner, use of a technical review board (where appropriate) and annual independence procedures, including confirmations by all staff. The auditors report to the Audit Committee on matters including independence and non-audit fees on an annual basis. In addition, the role of the audit partner is rotated on a periodic basis. The Audit Committee reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. The Audit Committee is advised of and approves all non audit services provided by the Company'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. It reports to the Board as necessary, identifying matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.

Oxford BioMedica has a public interest disclosure policy, and the Audit Committee is responsible for reviewing arrangements by which staff may raise concerns about possible improprieties. It also reviews from time to time the need for an internal audit function. Given the Group's current size and simple structure, the Committee considers there not to be a requirement for internal audit. At the Committee's invitation or request, the Chief Executive Officer and other Directors may attend meetings of the Audit Committee. The Audit Committee met twice in 2010 with the Chief Financial Officer present, at the Committee's invitation. All meetings were attended by the full Committee.

Nomination Committee
The Nomination Committee comprises the Non-Executive Directors and the Company Chairman. Nick Rodgers (Senior Independent Director) is the Committee chairman. The Nomination Committee did not meet in 2010.

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.

Review of performance
Provision A.6 of the Combined Code requires an annual review of the performance of the Board, the committees and the individual Directors. Following a review in 2009 some procedural changes were introduced, and in 2010 the Chairman and Senior independent Director continued to monitor board performance. The Chairman and the Senior Independent Director have also conducted an informal review of the performance of the committees and the individual Directors. They considered the performance satisfactory but recommended some improvements to Board meetings and processes. At least once per year the Non-Executive Directors meet under the leadership of the Senior Independent Director to appraise the Chairman's performance.

Management committees
The Board retains overall responsibility for, and control of, the Company. Management is conducted by the Chief Executive Officer and the Executive Directors who, together with other senior managers, form the senior management team. Executive Directors sit on the following committees and management groups: the senior management group, the executive research group, the clinical development group, the safety committee, the commercial development committee, the quality committee and the internal patent group. By this means, a direct and ongoing link exists between the determination of strategy by the Board and the execution of the Company's policies by its employees.

Relations with shareholders

We attach a high priority to effective communication with both private and institutional shareholders. The Annual Report contains a detailed Business Review and a description of our candidate products and of our research and development portfolio. An Interim Business Review is also provided with the half-year report sent to shareholders. With these documents and the Company's press releases, we seek to present a balanced and understandable assessment of Oxford BioMedica's position and prospects. Our website (www.oxfordbiomedica.co.uk) provides extensive other information about the Company.

The Annual General Meeting is the principal forum for dialogue with private shareholders. A business presentation is made by the Chief Executive Officer and there is an opportunity for shareholders to put questions to the Directors. At the AGM the Directors' service contracts or letters of appointment are available for inspection.

We maintain regular contact with institutional shareholders through a programme of one-to-one visits and briefings. The Senior Independent Director has contact with a range of major shareholders to listen to their views in order to help develop a balanced understanding of their views and concerns. In addition, the Senior Independent Director is available to shareholders if contact through the normal channels is inappropriate, or has failed to resolve concerns.

Internal control

The Directors are responsible for Oxford BioMedica's system of internal control and for reviewing its effectiveness. Such a 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. As described above, the active involvement of the Executive Directors in our management committees allows the Board continually to monitor and assess significant business, operational, financial, compliance and other risks, and to review the effectiveness of internal control. This is reinforced by the provision to the Board by the Executive Directors of regular and detailed reports covering, inter alia, financing, investor relations, research and development, clinical development, financial performance, commercial interactions and intellectual property management. In addition, the Board annually reviews the effectiveness of all significant aspects of internal control, including financial, operational and compliance controls and risk management. The review for 2010 did not highlight any matters that require reporting to shareholders.

Oxford BioMedica has procedures in place which incorporate the recommendations on internal control: guidance for directors on the Combined Code (Turnbull).

Corporate Social Responsibility

Corporate Social Responsibility (CSR) requires consideration of the economic, social and environmental impacts of our business activities. The Board recognises the potential benefits of CSR for the competitiveness of Oxford BioMedica and encourages a culture of continuous improvement in CSR-related issues. The Company has set specific policies that cover key aspects of CSR and strives to operate at the highest level of integrity.

Employees

Attracting, motivating and retaining a highly skilled workforce are critical to Oxford BioMedica's success. The Company's employment policies are based on guidelines for best practice. They recognise the rights and ensure equal opportunities for all employees without discrimination.

Oxford BioMedica aims to develop and maintain a motivated and professional workforce through career development, performance management, training and promotion. Managers are responsible for developing employees and identifying talent within the workforce. Training is given in a wide variety of ways including on-the-job coaching and in-house or external courses. Our annual employee appraisal process continues to function well, by providing a formal process for setting objectives and reviewing performance.

Management acknowledges the importance of communication between colleagues and company briefings 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.

Health and Safety

Oxford BioMedica is committed to protecting the health, safety and welfare of all its employees. The Company's 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 and to date has never been required to report an accident to the UK Health and Safety Executive or a USA equivalent.

Oxford BioMedica strives to maintain an effective health and safety culture within the organisation. The importance of health and safety is reflected through the active involvement of senior management and representation at Board level.

Quality Assurance

Oxford BioMedica is committed to operating all activities at a high level of scientific quality and regulatory compliance. The Company's policies reinforce senior management's commitment to high standards of quality being maintained at all times. A set of regulations and procedures provide guidance pertaining to the development, manufacturing, testing, clinical evaluation, storage and distribution of investigational medicinal products which are either performed or authorised by the Company. Oxford BioMedica places the highest priority on the safety and well-being of its clinical study patients who will be treated with the Company's products.

Strong emphasis is also placed on the integrity of the Company's products including their safe manufacture, controlled distribution and compliance with all relevant regulations. Oxford BioMedica is responsible for ensuring that each product is fit for purpose in terms of safety, quality, identity, strength, purity and expected efficacy. In January 2010, the UK Medicines and Healthcare products Regulatory Agency (MHRA) completed a successful Good Manufacturing Practice compliance inspection with no major or critical observations being noted. Oxford BioMedica continues to operate under both MHRA Good Laboratory Practice (GLP) and Good Clinical Practice (GCP) accreditations and remained within compliance for both licenses during 2010.

External Relationships

Our external stakeholders include suppliers, advisers, shareholders, patients, healthcare professionals, partners, collaborators and licensees. These relationships are a fundamental aspect of our business activities. We are committed to interacting with these third parties in an ethical manner, and to ensuring that the relationships are maintained at a professional and appropriate level. Our internal procedures for dealing with third parties are reviewed annually.

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 on-going clinical trials, and we also list our US-based trials on a US government-sponsored website (www.ClinicalTrials.gov).

The Chief Executive Officer and Executive Directors have primary responsibility for communication with shareholders and related stakeholders. We also use the services of external financial and corporate communications agencies. We seek to disseminate information in a timely, reliable and comprehensive fashion, and we comply with the rules and guidelines of the UK Listing Authority for a company on the Official List.

Environment

We fully recognise our responsibility to protect the environment and we review our environmental policy, objectives and guidelines regularly. The Company 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.

As part of our commitment to the environment, our policies are designed to motivate our staff to be energy conscious and environmentally friendly. The Company's recycling program continues to function effectively and the majority of our cardboard and office paper is recycled. In 2010 we also started recycling our coffee disks in order to raise money for MacMillan Cancer Support. Given its importance to Oxford BioMedica, environmental issues are represented at Board level.

The Directors present their annual report and audited financial statements for the year ended 31 December 2010.

Principal activity
Oxford BioMedica (LSE: OXB) is a biopharmaceutical company developing innovative gene-based medicines and therapeutic vaccines that aim to improve the lives of patients with high unmet medical needs. The Company was established in 1995 as a spin-out from Oxford University, and has its primary listing on the London Stock Exchange.

The Company has a platform of gene delivery technologies, which are based on highly engineered viral systems. Oxford BioMedica also has in-house clinical, regulatory and manufacturing know-how. The Company's technology platform includes a highly efficient gene delivery system (LentiVector® platform), which has specific advantages for targeting diseases of the central nervous system and the eye; and a unique tumour antigen (5T4), which is an ideal target for anti-cancer therapy.

ProSavin®, Oxford BioMedica's novel gene-based therapeutic for the treatment of Parkinson's disease is in a Phase I/II dose escalating clinical trial. ProSavin® utilises Oxford BioMedica's proprietary LentiVector® platform technology to deliver three genes which reprogramme cells in the striatum (part of the brain) to manufacture and secrete dopamine, thereby replacing the dopamine that is lost as dopamine-synthesising cells die during the course of Parkinson's disease. To date we have reported data from 9 patients treated at the first two of three escalating doses, and have treated the first patient in a fourth cohort at the third, higher dose level. The product has been safe and well tolerated and significant efficacy has been achieved at the lower dose levels. Importantly, the effect of ProSavin® has been maintained for more than two years from a single administration.

In collaboration with sanofi-aventis, Oxford BioMedica is developing four novel LentiVector® platform product candidates in the field of ophthalmology: RetinoStat® for wet age-related macular degeneration, StarGen™ for Stargardt disease, UshStat® for Usher syndrome 1B and EncorStat® for corneal graft rejection. In 2009 Oxford BioMedica granted sanofi-aventis a license to develop the products, and an option for further development, manufacture and commercialisation on a worldwide basis. Oxford BioMedica is conducting the first stage of development up to and including the first clinical trial of each of the four product candidates. Sanofi-aventis is providing funding of up to US$24 million for this stage of development. RetinoStat® gained approval for a Phase I/II clinical trial from the FDA in November 2010.

The lead vaccine candidate is TroVax®, an immunotherapy product for multiple solid cancers. Although in a Phase III trial of TroVax® in renal cancer (the TRIST study) the primary end-point was not achieved, a significant survival advantage was shown in a predefined subset, namely in patients with a good prognostic profile receiving interleukin-2 as standard of care ($n = 100$; $p = 0.046$). Additional exploratory analyses have confirmed that the anti-5T4 immune response induced by TroVax® is associated with enhanced survival ($p = 0.002$), and have also identified haematological factors that were predictive of a more favourable immune response and greater survival benefit from TroVax®. Overall, however the TRIST study did not show a significant survival advantage for TroVax® compared to placebo in the total population.

The Group's products and technologies are underpinned by over 60 patent families, which represent one of the broadest patent estates in the field. Oxford BioMedica's commercial partners include sanofi-aventis, Sigma-Aldrich and Pfizer for product development and Biogen Idec, Emergent BioSolutions, GlaxoSmithKline, Merck&Co and Pfizer as technology licensees.

At 31 December 2010 the Group had 75 full-time employees, all but two of whom are based at the main operational site in Oxford. The Group has a wholly owned subsidiary, BioMedica Inc, in San Diego, California comprising an office for US intellectual property management and business development.

Oxford BioMedica plc is a public limited company incorporated in England and Wales, domiciled in England with its registered office at The Medawar Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford OX4 4GA, United Kingdom.

Further information is available at www.oxfordbiomedica.co.uk

Review of the business and future developments
The consolidated statement of comprehensive income for the year is set out on page 57. A review of the Group's activities and future developments is contained within the introduction (pages 1-13), the Chairman's message (page 14), the Chief Executive's statement (pages 16-17), the operational review on pages 18-29, interview with the Chief Scientific Officer (pages 30-31) and the financial review on pages 32-37.

Share capital
During 2010 the Company issued a total of 3,689,729 new ordinary shares: 181,892 on the exercise of share options by employees; 1,699,876 in connection with acquisition of intellectual property rights supporting RetinoStat® and EncorStat®; and 1,807,961 allotted to Cancer Research Technology Limited as part of a settlement of TroVax® related royalties. Subsequent to the year end, a further 400,000,000 shares were issued in a placing and open offer raising £20 million before expenses.

Dividends
The Directors do not recommend payment of a dividend (2009: nil).

Group research and development activities
During the year the Group incurred non-exceptional research and development expenditure of £15,931,000 (2009: £14,899,000) and exceptional research and development expenditure of £3,949,000 (2009: £3,392,000) all of which was written off in the statement of comprehensive income.

Charitable donations
The Group made no charitable donations in 2010 (2009: nil).

Directors
The Directors of the Company at the date of signing the financial statements, who had been Directors for the whole of 2010 unless otherwise indicated were:

Dr Alan Kingsman
Chairman

Dr Paul Blake
Non-Executive Director, member of the Remuneration Committee and the Nomination Committee

Dr Andrew Heath
Non-Executive Director, member of the Audit Committee and the Nomination Committee

Dr Alex Lewis
Non-Executive Director, Chairman of the Remuneration Committee, member of the Audit and Nomination Committees

Nick Rodgers
Non-Executive Director, Deputy Chairman and Senior Independent Director, Chairman of the Nomination and Audit Committees, member of the Remuneration Committee

John Dawson
Chief Executive Officer

Dr Stuart Naylor
Chief Scientific Officer

Peter Nolan
Senior Vice President: Commercial Development

Andrew Wood
Chief Financial Officer

All Directors are subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of not more than three years. At the 2011 Annual General Meeting the following Directors will retire from the board in accordance with article 38 of the Company's articles of association.

- Dr Alan Kingsman
- John Dawson
- Dr Stuart Naylor

The appointments of non-executive directors are subject to three months' notice. The contracts of employment of executive directors are subject to twelve months' notice.

Biographical details of all the Directors, including those due to retire at the 2011 annual General Meeting, are given on pages 38-39.

The interests of the Directors at 31 December 2010 in the share capital of the Company are disclosed in the Directors' Remuneration Report on pages 50-55.

Directors' third party indemnity provision
The Company maintains a qualifying third party indemnity insurance policy to provide cover for legal action against its Directors. This was in force throughout 2010 and at the date of approval of the financial statements.

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 Incentive Plan and either the Share Option Scheme or the Long Term Incentive Plan. 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 Social Responsibility Statement on page 45.

Substantial shareholdings
At 18 February 2011, 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
Cubana Investments Limited	125,300,000	13.26%
M&G Investment Management Limited	117,811,467	12.47%
JP Morgan Asset Management Limited	83,733,144	8.86%
GAM London Limited	44,669,470	4.73%
TD Waterhouse Stockbrokers	42,603,780	4.51%
Barclays Stockbrokers	42,147,526	4.46%
Legal & General Group plc	35,912,841	3.80%
Self Trade Stockbrokers	32,851,932	3.48%

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.

Employee share schemes
The Company has a Share Incentive Plan under which shares may be held in trust for employees. The trustees may only exercise the voting rights in respect of such shares in accordance with the employees' instructions. Currently there are no such shares held in trust.

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.

Creditor payment policy
The Company and its subsidiaries agree the terms of payment when agreeing the terms and conditions for their transactions with suppliers. Payment is made in compliance with those terms, subject to the terms and conditions of the relevant transaction having been met by the supplier. The Group's average creditor payment period at 31 December 2010 was 25 days (2009: 30 days). The Company has no trade creditors (2009: nil).

Risk management
The Group's risk management objectives and exposure to risks are set out on pages 40-41 (principal risks and uncertainties) and pages 67-68 (note 2, financial risk management)

Going concern
Oxford BioMedica plc is a research and development based business with no currently marketed products. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the introduction (pages 1-13), the Chairman's message (page 14), the Chief Executive's statement (pages 16-17), the operational review (pages 18-29), interview with the Chief Scientific Officer (pages 30-31) and the Principal Risks and Uncertainties (pages 40-41). The financial position of the Group, including its cash flows, is described in the Financial Review (pages 32-37). In addition, note 2 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to cash flow and liquidity risk. The Group is expected to incur significant further costs as it continues to develop its portfolio of candidate products and related technology. The Directors expect that these costs will be met from existing financial resources including the proceeds of the placing and open offer which closed in January 2011, the proceeds of licensing agreements, and ultimately from the proceeds of sales of products. However, there is no certainty that adequate resources will be available on a timely basis, and the Group may require additional financing for the future operation of its business, including further equity funding as appropriate, before it reaches sustained profitability. The condition of the credit markets has no direct impact on the Group as it currently has no borrowings.

After making enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

BIA code
The UK BioIndustry Association ('BIA'), of which the Company is a member, adopted a code of best practice in 1999. The BIA code includes principles and provisions relating to corporate governance matters, access to external advice, confidentiality, dealings in the Company's shares, and standards of public announcements. It is intended to operate by reference to the particular circumstances of bioscience companies and in support of the Combined Code and the rules of the Financial Services Authority. Throughout 2010 the Company has complied with the relevant provisions of the BIA code.

Information required to be disclosed by the Takeover Directive
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 on 27 April 2010, the share capital of the Company is unlimited. At 1 March 2011, 944,875,557 1p ordinary shares were issued, 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 Annual General Meeting the Directors seek rights to allot shares. The authority, when granted lasts for 15 months or until the conclusion of the next Annual General Meeting if sooner. At the last Annual General Meeting held on 27 April 2010, authority was given to allot up to 181,019,700 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 181,019,700 shares, solely in a rights issue. Authority was also given, subject to certain conditions, to waive pre-emption rights over up to 27,152,900 shares, being 5% of the shares then in issue. At a General Meeting on 7 January 2011 authority was given to issue up to 400,000,000 shares in a placing and open offer. No rights have been granted to the Directors to buy back shares.

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 and may offer himself for re-election. At each annual general meeting 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.

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.

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

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.

Each of the Directors, whose names and functions are listed in this section 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.

Statement as to disclosure of information to auditors
So far as each Director is aware, there is no relevant audit information of which the 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 Company's auditors are aware of that information.

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

Corporate Governance
The Company's statement on corporate governance is included in the Corporate Governance report on pages 42-44 of these financial statements.

By order of the Board

Andrew Wood
Company Secretary

Only paragraphs marked with '*' within this report have been audited.

Throughout 2010 the Remuneration Committee met seven times. The Committee comprised three Non-Executive Directors: Dr Alex Lewis (Chairman), Dr Paul Blake and Nick Rodgers. The Committee determines, on behalf of the Board, the Company's policy for executive remuneration, and the individual remuneration packages of the Executive Directors including awards under the Long Term Incentive Plan. The Committee also determines the remuneration package of the Chairman. At the Committee's invitation or request, the Chief Executive Officer and other Directors may be in attendance at the meetings of the Remuneration Committee. The Committee has access to professional advice, both inside and outside the Company as required. No material assistance was received by the Committee from third parties in the year.

Remuneration policy
The Group's policy on remuneration is to attract, retain and incentivise the best staff in a manner consistent with the goals of corporate governance. In setting the remuneration policy, the Remuneration Committee considers a number of factors, including the basic salaries and benefits available to Directors of comparable companies as provided by information in independent remuneration reports, and the level of pay for other employees in the Group.

Remuneration of Executive Directors and the Chairman
There is a discretionary non-pensionable bonus scheme for Executive Directors, subject to the achievement of agreed goals and targets that are designed to incentivise them to perform at the highest levels and to align their interests with those of the shareholders. The principal part of performance-linked remuneration is related to overall measures of Group performance with a small amount being linked to individual targets which are set to support the Group objectives and effective running of the Company. For 2010 the Group performance measures related to financing, partnering of the Company's products and achievement of clinical and development milestones for key value driving products. The individual targets related to reviewing/developing the Group's strategic direction; the running and delivery of clinical trials; management of external contractors/relationships; liaison with regulatory authorities; investor relations and Group risk management processes. For the Executive Directors the performance-related annual bonus potential is up to 60% of basic salary. The Committee approved bonuses of 20% to 25% of salary for 2010 based on the achievements in 2010 (2009 bonus: 42% to 48%).

Benefits, detailed in the table of Directors' emoluments, mainly comprise healthcare insurance.

The Company makes contributions to a defined contribution personal pension scheme for the Executive Directors at 10% of salary.

Directors and senior managers may participate in a share-based long term incentive plan (LTIP). Details of the awards made in 2010 under the LTIP are on page 54. Awards under the LTIP may be conditional shares or nil-cost options, the release of which will depend on the completion of a holding period of at least three years and the satisfaction of performance conditions. Up to 2009 there was one main performance condition attached to share awards granted under the LTIP – comparative Total Shareholder Return (TSR) measured against a comparator group of companies. In 2010 a secondary performance condition, described below was added. The TSR comparator group for the LTIP awards made in June 2010 was:

Ark Therapeutics Group plc; Allergy Therapeutics plc; Antisoma plc; BTG plc; GW Pharmaceuticals plc; ImmuPharma plc; Phytopharm plc; Proteome Sciences plc; ReNeuron Group plc; Renovo Group plc; Silence Therapeutics plc; Vernalis plc; Verona Pharma plc.

No awards will be released at the testing date for less than median performance of Oxford BioMedica TSR compared to the comparator group. Median performance will result in release of 25% of the shares. Performance at the 75th percentile will result in the release of 50% of the shares, with straight line release between these points. Upper quartile TSR performance (i.e. greater than 75th percentile performance) will result in release of 100% of the shares.

For TSR above median but below the upper quartile, a secondary performance test, based on events that are expected to be significant drivers of value for the Company, will be applied. In these circumstances, up to a further 50% of the LTIP award will be released on the achievement of the following milestone events:

Event	% of award released
Commercial collaboration for TroVax® executed	5%
Commercial collaboration for ProSavin® executed	20%
RetinoStat® first patient enrolled in Phase I/II trial	5%
Exercise of the development option by sanofi-aventis for one of the collaborative ocular products	20%

There will be no re-testing of the performance conditions.

The maximum level of awards under the LTIP in any calendar year is 150% of each eligible employee's emoluments. The Committee intends that annual awards to Executive Directors will not normally exceed 100% of salary. Taking account of the level of the Company's share price in June 2010 and of the potentially high number of shares and the dilutive impact of an award of 100%, the 2010 LTIP award was scaled back to 50% of the maximum amount. There is an overall limit on dilution from share schemes of up to 10% within a ten year period to satisfy awards to participants in the LTIP and any other share plan operated by the Company under which shares are issued. Including the LTIP and all other share plans; assuming that 100% of presently un-vested LTIP awards and share options vest and are exercised; and taking into account all options granted in the last 10 years that had been exercised by 31 December 2010, the maximum potential dilution against this limit was 7.43%.

Following the introduction of the LTIP in 2007, Executive Directors and certain senior managers no longer receive awards under the share option scheme. However, the share option scheme continues to be used for other eligible employees. Prior to 2007, options were awarded under the share option scheme to Executive Directors, including the present Chairman. The exercise price for all share options is the market price of the Company's ordinary shares on the last trading day before the date of grant. Full details of Directors' share options are on page 53. A summary of all share options outstanding at 31 December 2010 is given in note 22 to the financial statements. The remaining share options held by Directors at 31 December 2010 are subject to the rules of the Oxford BioMedica 1996 (No.1) Share Option Scheme. These options became exercisable three years from the date of grant, and will cease to be exercisable seven years from the date of grant. All awards of share options are at the discretion of the Remuneration Committee. Share options held by Directors are mostly subject to a performance-based condition, described in note 1 to the table on page 53.

Remuneration of Non-Executive Directors

The fees paid to Non-Executive Directors are determined by the Board. Non-Executive Directors do not receive pension contributions or a bonus. Non-Executive Directors do not participate in the Company's share option schemes.

The Non-Executive Directors have appointments that are for three years unless terminated by three months' written notice by either party. Non-Executive Directors' appointments may be renewed by mutual agreement. As recommended by Combined Code provision A.7.2, any term beyond six years for a Non-Executive Director is subject to considered review by the Board. Non-Executive directors serving beyond nine years are subject to renewal for one year at a time, and are submitted for re-election each year at the Annual General Meeting.

Directors' service contracts

It is Oxford BioMedica plc's policy that Directors' service contracts should have notice periods of not more than one year and that the contractual termination payments should not exceed the Director's current salary and benefits for the notice period.

The details of service contracts of those who served as Directors during the year are:

	Contract date	Unexpired term at 31 December 2010	Notice period	Contractual termination payments
Dr Paul Blake	9 December 2009	2 years	3 months	Notice period only
John Dawson	10 October 2008	Nil [1]	12 months	Notice period only
Dr Andrew Heath	9 December 2009	2 years	3 months	Notice period only
Dr Alan Kingsman [2]	4 June 2009	1 year 6 months	12 months	Notice period only
Dr Alex Lewis	3 April 2008	3 months	3 months	Notice period only
Dr Stuart Naylor	1 July 2008	Nil [1]	12 months	Notice period only
Peter Nolan	1 May 2002	Nil [1]	12 months	Notice period only
Nick Rodgers	2 March 2010	2 years 2 months	3 months	Notice period only
Andrew Wood	31 October 1996	Nil [1]	12 months	Notice period only

1. Executive Directors' contracts are for an initial term of 12 months and thereafter are subject to 12 months' notice.
2. In addition to his appointment as Chairman, Dr Alan Kingsman entered into a consultancy agreement with the Group, commencing 1 July 2009 for an initial period of 2 years.

Directors' remuneration*

Details of individual Directors' emoluments for the year are as follows:

Name of Director	Salary and fees £	Annual bonus £	Benefits £	Other payments £	2010 total emoluments £	2010 pension £	2009 total emoluments £	2009 pension £
Chairman								
Dr Alan Kingsman [1]	75,000	–	20,998	75,000	**170,998**	**–**	236,073	6,250
Executive								
John Dawson	330,000	82,500	4,436	–	**416,936**	**33,000**	491,604	33,000
John Dawson one-off share-settled bonus [2]	–	–	–	–	–	–	292,373	–
Dr Stuart Naylor	175,000	43,750	1,819	–	**220,569**	**17,500**	257,754	17,083
Peter Nolan	173,565	34,713	2,675	–	**210,953**	**17,357**	256,228	17,357
Andrew Wood	219,945	43,989	1,712	–	**265,646**	**21,995**	321,906	21,995
Nick Woolf [3]	87,986	–	1,767	–	**89,753**	**8,872**	254,320	17,743
Non-Executive								
Mark Berninger [4,5]	–	–	–	–	**–**	**–**	40,432	–
Dr Paul Blake [6]	35,000	–	–	–	**35,000**	**–**	–	–
Dr Andrew Heath [4,6]	35,000	–	–	–	**35,000**	**–**	–	–
Dr Alex Lewis	42,000	–	–	–	**42,000**	**–**	38,947	–
Nick Rodgers [4]	52,500	–	–	–	**52,500**	**–**	48,968	–
	1,225,996	204,952	33,407	75,000	**1,539,355**	**98,724**	2,238,605	113,428

1. Other payments above for Dr Alan Kingsman comprise consultancy fees of £75,000 (2009: £37,500).
2. John Dawson received a one-off share-based bonus payment in 2009. The value, grossed-up for income tax and National Insurance, was £292,373.
3. Nick Woolf resigned on 30 June 2010.
4. These amounts represent amounts payable to controlled companies for the services of Non-Executive Directors.
5. Mark Berninger resigned from the Board on 01 January 2010.
6. Dr Paul Blake and Dr Andrew Heath were both appointed on 1 January 2010.

Retirement benefits are accruing to four Directors (2009: five) under Oxford BioMedica (UK) Limited's money purchase pension scheme.

Directors' interests

Interest in shares

The interests of the Directors (including persons connected with the Directors) in the shares of the Company at 31 December 2010, together with their interests at 1 January 2010 are shown below. On 10 January 2011 all of the Directors subscribed for further shares as part of the placing and open offer:

The Company – ordinary shares of 1p each	1 January 2010	31 December 2010	Subscription 10 January 2011	Holding at 10 January 2011
Dr Paul Blake	–	**–**	100,000	100,000
John Dawson	1,500,000	**1,500,000**	200,000	1,700,000
Dr Andrew Heath	–	**–**	200,000	200,000
Dr Alan Kingsman	13,032,590	**13,032,590**	2,000,000	15,032,590
Dr Alex Lewis	100,000	**100,000**	100,000	200,000
Dr Stuart Naylor	8,921	**8,921**	80,000	88,921
Peter Nolan	263,638	**263,638**	100,000	363,638
Nick Rodgers	52,000	**52,000**	100,000	152,000
Andrew Wood	305,067	**305,067**	100,000	405,067

There were no changes in the Directors' shareholdings between 10 January 2011 and the date of this report.

Interests in share options *

The interests of the Directors in options over the ordinary shares of the Company were as follows:

	Options over ordinary shares of 1p each							
	1 January 2010	Granted	Exercised	Lapsed	**31 December 2010**	Exercise Price	Date from which exercisable	Expiry Date
Dr Alan Kingsman [1]	180,000	–	–	(180,000)	**–**	19.25p	27.10.06	27.10.10
Dr Susan Kingsman [1,2]	150,000	–	–	(150,000)	**–**	19.25p	27.10.06	27.10.10
Dr Alan Kingsman [1]	190,000	–	–	–	**190,000**	20.5p	12.10.07	12.10.11
Dr Susan Kingsman [1,2]	155,000	–	–	–	**155,000**	20.5p	12.10.07	12.10.11
Dr Alan Kingsman [1]	208,000	–	–	–	**208,000**	29.0p	15.12.08	15.12.12
Dr Susan Kingsman [1,2]	170,000	–	–	–	**170,000**	29.0p	15.12.08	15.12.12
	1,053,000	–	–	(330,000)	**723,000**			
Dr Stuart Naylor	97,485	–	–	–	**97,485**	20.5p	12.10.07	12.10.11
Dr Stuart Naylor [1]	120,750	–	–	–	**120,750**	29.0p	15.12.08	15.12.12
	218,235	–	–	–	**218,235**			
Peter Nolan [1]	140,000	–	–	–	**140,000**	20.5p	12.10.07	12.10.11
Peter Nolan [1]	153,000	–	–	–	**153,000**	29.0p	15.12.08	15.12.12
	293,000	–	–	–	**293,000**			
Andrew Wood [1]	175,000	–	–	–	**175,000**	20.5p	12.10.07	12.10.11
Andrew Wood [1]	193,000	–	–	–	**193,000**	29.0p	15.12.08	15.12.12
Andrew Wood [3]	172,531	–	–	(172,531)	**–**	29.0p	21.03.09	21.03.13
Andrew Wood [3]	172,531	–	–	(172,531)	**–**	31.0p	06.09.09	06.09.13
Andrew Wood [3]	6,598	–	–	(6,598)	**–**	6.1p	25.03.12	25.03.19
	719,660	–	–	(351,660)	**368,000**			
Nick Woolf [4]	132,000	–	–	(132,000)	**–**	19.25p	27.10.06	27.10.10
Nick Woolf [1,4]	153,000	–	–	(153,000)	**–**	29.0p	15.12.08	15.12.12
	285,000	–	–	(285,000)	**–**			

1. A performance-based condition applies to these options. The options are exercisable only if at the time of exercise, or for a period of at least 12 months in aggregate in the three years before exercise, the percentage increase in Oxford BioMedica plc's total shareholder return since the grant of the option exceeds the percentage increase in the FTSE techMARK MediScience index. This target was chosen because the Directors believe that the FTSE techMARK MediScience index should be a benchmark that reflects the factors bearing on the UK biotechnology sector.
2. Dr Susan Kingsman was the wife of Dr Alan Kingsman and was a Director until 1 July 2008, at which time she became a Senior Scientific Consultant. In accordance with the rules of the Oxford BioMedica 1996 (No.1) Share Option Scheme, the options held at 1 July 2008 remained in place on their original terms but will lapse if not exercised by 29 January 2012.
3. These options had been awarded to Sharon Wood, wife of Andrew Wood, who was a Group employee until 31 December 2009. The options lapsed on 30 June 2010.
4. Following Nick Woolf's resignation, these options lapsed on 31 December 2010.

Long-term incentive plan*

Awards have been made to Executive Directors under the LTIP as follows:

	1 January 2010	Awarded	Vested	Lapsed	**31 December 2010**[1,2]	Award date	Vesting date
John Dawson	2,500,000	–	–	–	**2,500,000**	13.10.08	13.10.11
John Dawson	2,500,000	–	–	–	**2,500,000**	25.03.09	25.03.12
John Dawson[3]	–	1,692,000	–	–	**1,692,000**	15.06.10	15.06.13
	5,000,000	1,692,000	–	–	**6,992,000**		
Dr Alan Kingsman[4]	735,533	–	–	(735,533)	**–**	03.04.07	03.04.10
Dr Alan Kingsman	1,291,871	–	–	–	**1,291,871**	13.03.08	13.03.11
Dr Alan Kingsman	899,000	–	–	–	**899,000**	25.03.09	25.03.12
	2,926,404	–	–	(735,533)	**2,190,871**		
Dr Stuart Naylor[4]	215,975	–	–	(215,975)	**–**	03.04.07	03.04.10
Dr Stuart Naylor	311,284	–	–	–	**311,284**	13.03.08	13.03.11
Dr Stuart Naylor	811,000	–	–	–	**811,000**	25.03.09	25.03.12
Dr Stuart Naylor[3]	–	897,000	–	–	**897,000**	15.06.10	15.06.13
	1,338,259	897,000	–	(215,975)	**2,019,284**		
Peter Nolan[4]	547,955	–	–	(547,955)	**–**	03.04.07	03.04.10
Peter Nolan	771,400	–	–	–	**771,400**	13.03.08	13.03.11
Peter Nolan	854,000	–	–	–	**854,000**	25.03.09	25.03.12
Peter Nolan[3]	–	890,000	–	–	**890,000**	15.06.10	15.06.13
	2,173,355	890,000	–	(547,955)	**2,515,400**		
Andrew Wood[4]	694,379	–	–	(694,379)	**–**	03.04.07	03.04.10
Andrew Wood	977,533	–	–	–	**977,533**	13.03.08	13.03.11
Andrew Wood	1,082,000	–	–	–	**1,082,000**	25.03.09	25.03.12
Andrew Wood[3]	–	1,128,000	–	–	**1,128,000**	15.06.10	15.06.13
	2,753,912	1,128,000	–	(694,379)	**3,187,533**		
Nick Woolf[4]	560,161	–	–	(560,161)	**–**	03.04.07	03.04.10
Nick Woolf[5]	788,582	–	–	(788,582)	**–**	13.03.08	13.03.11
Nick Woolf[5]	873,000	–	–	(873,000)	**–**	25.03.09	25.03.12
	2,221,743	–	–	(2,221,743)	**–**		

1. All awards made under the LTIP have been nil-cost share options.
2. The performance condition for these awards compares the Company's TSR to the TSR of a chosen group of healthcare and biotechnology companies over a three year period. A median ranking must be achieved before any part of the award vests (25% of the award) and an upper quartile ranking must be achieved for the award to vest in full.
3. For the LTIP award in 2010, a secondary performance test, based on events that are expected to be significant drivers of value for the Company, will be applied if TSR is above median but below the upper quartile. In these circumstances, up to a further 50% of the LTIP award will be released on the achievement of the specified milestone events.
4. On 3 April 2010 the TSR performance test was applied to the LTIP award made on 3 April 2007. Oxford BioMedica's TSR over the 3 year period was below the median of the comparator group, and consequently none of the awards vested.
5. These LTIP awards lapsed on 30 June 2010 on the resignation of Nick Woolf.

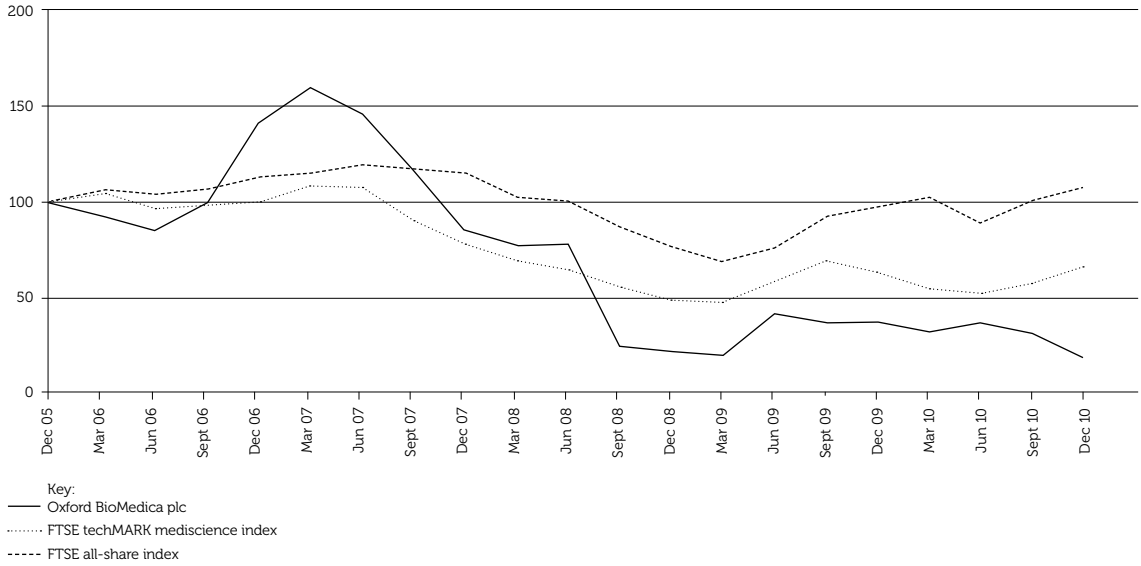
The Company regularly reviews the performance conditions that apply to LTIP awards in order to estimate the extent to which the awards might vest. Assuming that relative share price performance in the comparator groups remains consistent with performance up to 31 December 2010, the Directors estimate that the LTIP awards would vest as follows:

- Award made on 13 March 2008: median performance – 25% of this award would vest
- Award made on 13 October 2008: median performance – 25% of this award would vest
- Award made on 25 March 2009: performance below median – none of this award would vest
- Award made on 15 June 2010: currently below median

The market value of ordinary shares as at 31 December 2010 was 5.53p (31 December 2009: 11.25p). The market value of ordinary shares during the year ranged from 5.5p to 12.0p.

Except as detailed above, no Directors had interests in shares or share options of the Company or any other Group company at 31 December 2010. Other than the subscription for shares in the placing, which completed on 10 January 2011, there have been no changes in the interests of the Directors in ordinary shares of the Company between 31 December 2010 and the date of this report.

Comparison of five year total shareholder return



The chart shows the value at the end of each year of £100 invested on 31 December 2005 in Oxford BioMedica 1p ordinary shares (OXB) compared to the change in the FTSE all-share index and the FTSE techMARK MediScience index over the same period. In previous years we have seen that the OXB share price tends to follow the direction given by the benchmark indices, but with greater volatility, and occasionally affected by major Company developments. These trends have been somewhat less apparent in 2009 and 2010. Following the commencement of the ocular collaboration with sanofi-aventis in April 2009, the OXB share price doubled in Q2 2009, significantly outperforming the benchmark indices in the short term. Subsequently, the benchmark indices continued to rise, with stronger gains for the FTSE all-share index than for the FTSE techMARK MediScience index. The OXB share price, however, drifted down from the end of Q2 2009, ending 2009 at 11.25p (8% down from Q2 2009 but 70% up over the year) and then drifted further during 2010 to close Q3 2010 at 9.4p (16% down from the end of 2009). Following the announcement of the placing and open offer of 400 million new shares at 5p per share in December 2010, OXB shares fell further, and ended 2010 at 5.53p.

The Directors consider that the high volatility in share price is not unique to Oxford BioMedica, but is a feature shared by many high-tech companies whose valuations are significantly influenced by newsflow, investor sentiment and attitude to risk.

In the opinion of the Directors, the FTSE all-share index should be a reasonable index against which the total shareholder return of Oxford BioMedica plc may be measured over a five-year term, because it represents a broad-based, objective measure of investment return from equities. The FTSE techMARK MediScience index, made up of emerging healthcare companies in the early stages of growth, provides a second benchmark that may better reflect the factors bearing on valuations in the UK biotechnology sector.

Dr Alex Lewis
Chairman of the Remuneration Committee

Independent Auditors' Report

to the members of Oxford BioMedica plc

We have audited the financial statements of Oxford BioMedica plc for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Balance Sheets, the Statements of Cash Flows, the Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 49, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements
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 parent 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.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's loss and the Group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 48, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Reading

1 March 2011

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Notes	2010 Pre-exceptional items £'000	2010 Exceptional items (note 5) £'000	2010 Total £'000	2009 Pre-exceptional items £'000	2009 Exceptional items (note 5) £'000	2009 Total £'000
Revenue	3	**11,153**	**–**	**11,153**	9,031	10,089	19,120
Cost of sales credit/(charge)	7	**593**	**–**	**593**	90	(527)	(437)
Gross profit		**11,746**	**–**	**11,746**	9,121	9,562	18,683
Research and development costs	7	**(15,931)**	**(3,949)**	**(19,880)**	(14,899)	(3,392)	(18,291)
Administrative expenses	7	**(3,919)**	**–**	**(3,919)**	(6,056)	(169)	(6,225)
Other operating income: grants receivable		**42**	**–**	**42**	103	–	103
Operating (loss)/profit		**(8,062)**	**(3,949)**	**(12,011)**	(11,731)	6,001	(5,730)
Finance income	6	**222**	**–**	**222**	669	–	669
Finance costs	6	**(15)**	**–**	**(15)**	(33)	–	(33)
(Loss)/profit before tax		**(7,855)**	**(3,949)**	**(11,804)**	(11,095)	6,001	(5,094)
Taxation	8	**1,514**	**–**	**1,514**	1,579	–	1,579
(Loss)/profit for the year	25	**(6,341)**	**(3,949)**	**(10,290)**	(9,516)	6,001	(3,515)
Other comprehensive income							
Exchange adjustments		**(4)**	**–**	**(4)**	16	–	16
Total recognised comprehensive (expense)/income for the year attributable to owners of the parent		**(6,345)**	**(3,949)**	**(10,294)**	(9,500)	6,001	(3,499)
Basic loss and diluted loss per ordinary share	9			**(1.89p)**			(0.65p)

The results for the years above are derived entirely from continuing operations.

There is no difference between the loss before tax and the loss for the years stated above, and their historical cost equivalents.

Balance Sheets

as at 31 December 2010

	Notes	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Assets					
Non-current assets					
Intangible assets	11	**6,683**	11,119	**–**	–
Property, plant and equipment	12	**580**	631	**–**	–
Financial assets: Investments in subsidiaries	13	**–**	–	**29,976**	60,953
		7,263	11,750	**29,976**	60,953
Current assets					
Trade and other receivables	14	**4,795**	4,628	**792**	2
Current tax assets		**1,331**	2,269	**–**	–
Financial assets: Available for sale investments	15	**5,603**	18,500	**–**	–
Cash and cash equivalents	15	**6,653**	6,802	**2**	1
		18,382	32,199	**794**	3
Current liabilities					
Trade and other payables	16	**3,923**	7,669	**638**	73
Deferred income	17	**5,201**	4,741	**–**	–
Current tax liabilities		**11**	–	**–**	–
Provisions	18	**83**	898	**–**	–
		9,218	13,308	**638**	73
Net current assets/(liabilities)		**9,164**	18,891	**156**	(70)
Non-current liabilities					
Other non-current liabilities		**123**	102	**–**	–
Deferred income	17	**4,201**	9,024	**–**	–
Provisions	18	**498**	539	**–**	–
		4,822	9,665	**–**	–
Net assets		**11,605**	20,976	**30,132**	60,883
Equity attributable to owners of the parent					
Ordinary shares	21	**5,449**	5,412	**5,449**	5,412
Share premium	24	**110,387**	110,043	**110,387**	110,043
Merger reserve	26	**14,310**	14,310	**13,599**	13,599
Other reserves	26	**(680)**	(676)	**3,871**	3,329
Retained losses	25	**(117,861)**	(108,113)	**(103,174)**	(71,500)
Total equity		**11,605**	20,976	**30,132**	60,883

The Company's registered number is 03252665.

The financial statements on pages 57 to 85 were approved by the Board of Directors on 1 March 2011 and were signed on its behalf by:

John Dawson
Chief Executive Officer

Statements of Cash Flows

for the year ended 31 December 2010

	Notes	Group		Company	
		2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	27	**(15,289)**	904	**(175)**	(136)
Interest paid		**(1)**	(23)	**–**	–
Tax credit received		**2,508**	1,500	**–**	–
Overseas tax paid		**(46)**	(67)	**–**	–
Net cash (used in)/generated from operating activities		**(12,828)**	2,314	**(175)**	(136)
Cash flows from investing activities					
Loan from/(to) subsidiary		**–**	–	**182**	(259)
Proceeds from sale of property, plant and equipment		**2**	1	**–**	–
Proceeds from sale of fixed asset investments		**36**	–	**–**	–
Purchases of property, plant and equipment		**(291)**	(247)	**–**	–
Purchases of intangible assets		**(266)**	(41)	**–**	–
Net maturity/(purchase) of available for sale investments		**12,897**	(4,750)	**–**	–
Net cash generated from/(used in) investing activities		**12,378**	(5,037)	**182**	(259)
Cash flows from financing activities					
Interest received		**309**	999	**–**	–
Proceeds from issue of ordinary share capital		**210**	360	**210**	360
Net (payments)/receipts for costs of share issues		**(216)**	36	**(216)**	36
Net cash generated from/(used in) financing activities		**303**	1,395	**(6)**	396
Net (decrease)/increase in cash and cash equivalents		**(147)**	(1,328)	**1**	1
Cash and cash equivalents at 1 January		**6,802**	8,141	**1**	–
Effects of exchange rate changes		**(2)**	(11)	**–**	–
Cash and cash equivalents at 31 December	15	**6,653**	6,802	**2**	1

Statements of Changes in Equity Attributable to Owners of the Parent

for the year ended 31 December 2010

Group	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained losses £'000	Total £'000
At 1 January 2009		5,373	109,686	14,310	(692)	(105,406)	23,271
Year ended 31 December 2009:							
Exchange adjustments		–	–	–	16	–	16
Loss for the year		–	–	–	–	(3,515)	(3,515)
Total comprehensive expense for the year		–	–	–	16	(3,515)	(3,499)
Transactions with owners:							
Share options							
Proceeds from shares issued	21, 24	2	13	–	–	–	15
Value of employee services	23	–	–	–	–	808	808
Issue of shares excluding options	21, 24	37	308	–	–	–	345
Net credit for share issue costs	24	–	36	–	–	–	36
At 31 December 2009		**5,412**	**110,043**	**14,310**	**(676)**	**(108,113)**	**20,976**
Year ended 31 December 2010:							
Exchange adjustments		**–**	**–**	**–**	**(4)**	**–**	**(4)**
Loss for the year		**–**	**–**	**–**	**–**	**(10,290)**	**(10,290)**
Total comprehensive expense for the year		**–**	**–**	**–**	**(4)**	**(10,290)**	**(10,294)**
Transactions with owners:							
Share options							
Proceeds from shares issued	21, 24	**2**	**11**	**–**	**–**	**–**	**13**
Value of employee services	23	**–**	**–**	**–**	**–**	**542**	**542**
Issue of shares excluding options	21, 24	**35**	**347**	**–**	**–**	**–**	**382**
Costs of share issues	24	**–**	**(14)**	**–**	**–**	**–**	**(14)**
At 31 December 2010		**5,449**	**110,387**	**14,310**	**(680)**	**(117,861)**	**11,605**

Company	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained losses £'000	Total £'000
At 1 January 2009		5,373	109,686	13,599	2,521	(95,557)	35,622
Year ended 31 December 2009:							
Profit for the year		–	–	–	–	24,057	24,057
Total comprehensive income for the year		–	–	–	–	24,057	24,057
Transactions with owners:							
Share options							
Proceeds from shares issued	21, 24	2	13	–	–	–	15
Credit in relation to employee share schemes	26	–	–	–	808	–	808
Issue of shares excluding options	21, 24	37	308	–	–	–	345
Net credit for share issue costs	24	–	36	–	–	–	36
At 31 December 2009		**5,412**	**110,043**	**13,599**	**3,329**	**(71,500)**	**60,883**
Year ended 31 December 2010:							
Loss for the year		**–**	**–**	**–**	**–**	**(31,674)**	**(31,674)**
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**(31,674)**	**(31,674)**
Transactions with owners:							
Share options							
Proceeds from shares issued	21, 24	**2**	**11**	**–**	**–**	**–**	**13**
Credit in relation to employee share schemes	26	**–**	**–**	**–**	**542**	**–**	**542**
Issue of shares excluding options	21, 24	**35**	**347**	**–**	**–**	**–**	**382**
Costs of share issues	24	**–**	**(14)**	**–**	**–**	**–**	**(14)**
At 31 December 2010		**5,449**	**110,387**	**13,599**	**3,871**	**(103,174)**	**30,132**

1, Accounting policies

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.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and International Financial Reporting Interpretations Committee ('IFRIC') interpretations endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared in accordance with the historical cost convention. As more fully explained in the Directors' report on page 48 the going concern basis has been adopted in preparing the financial statements.

Accounting developments

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IAS 39 (amendment),'Financial instruments: Recognition and measurement' (effective 1 July 2009) has been amended to be consistent with IFRS 8,Operating segments, which requires disclosure for segments to be based on information reported to the chief operating decision-maker.
- IAS 27 (revised),'Consolidated and separate financial statements', and IFRS 1 (revised),'First time adoption' (both effective 1 July 2009), allow first time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The revised standard also specifies the accounting where there is no change in control or control is lost. Where there is a change in control, the effects of all transactions with non-controlling interests are recorded in equity and these transactions will no longer result in goodwill or gains and losses. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard.
- IFRS 2 (Amendment), 'Share based payments – Group cash-settled share-based payment transactions';
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 27 (Revised), 'Consolidated and separate financial statements';
- IAS 36 (Amendment), 'Impairment of assets';
- IFRIC 12,'Service concession arrangements';
- IFRIC 15, 'Agreements for the construction of real estate';
- IFRIC 16, 'Hedges of a net investment in a foreign operation';
- IFRIC 17, 'Distributions of non-cash assets to owners';
- IFRIC 18, 'Transfers of assets from customers'.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets. The Group is assessing whether there will be any impact on the accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009 is effective for annual periods beginning 1 January 2011. Earlier application is permitted. The standard is not applicable to the Group as there is no defined benefit pension scheme.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard.

Use of estimates and assumptions
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

Critical accounting estimates and assumptions
Where the Group makes estimates and assumptions concerning the future, the resulting accounting estimates will seldom exactly match actual results. Due to the amounts involved, the estimates and assumptions regarding revenue recognition and impairment of intangible assets have the greatest risk of causing a material adjustment to the carrying amounts of assets and liabilities.

In 2009 the Group received an up-front non-refundable payment of US$26 million (£16,641,000) from sanofi-aventis under the ocular product collaboration. This is being recognised as revenue on a straight line basis over 42 to 51 months (the expected duration of the initial stage of the collaboration for each of the four products). Up to 31 December 2010, revenue of £7,775,000 has been recognised under this collaboration, with the remaining £8,866,000 classified as deferred income. If the revenue recognition periods had been six months longer, the amount of revenue recognised in 2010 would have been reduced by £574,000 (2009: £383,000) and the amount of deferred income increased by £957,000 (2009: £383,000). Had the revenue recognition period been six months shorter, the amount of revenue recognised in 2010 would have increased by £763,000 (2009: £508,000) and the amount of deferred income decreased by £1,271,000 (2009: £508,000).

Over the term of the ocular product collaboration with sanofi-aventis, Oxford BioMedica may recover up to US$24 million in research and development funding. Project costs in excess of US$24 million will be borne by Oxford BioMedica. The amount of research and development funding that is recognised as revenue is based on an estimate of the amount of project costs expected to be borne by the Group by the end of the collaboration. Up to 31 December 2010 £8,735,000 has been recognised as revenue and £457,000 has been classified as current deferred income. If the estimated total project expenditure had been 5% higher, the amount of revenue recognised to date would have been £417,000 lower and the amount of deferred income £417,000 higher.

The Group has significant intangible assets arising from purchases of intellectual property rights and from the acquisition of Oxxon Therapeutics Limited in 2007. 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 highly sensitive 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 could materially affect the amount of impairment. In respect of the in-process R&D relating to Hi8®-MEL, impairment totalling £6,921,000 has been provided to date. The principal assumptions which affect the value in use calculation relate to the magnitude and timing of milestone payments on entering into a collaboration, combined with the probability of success in achieving progress in product development to trigger milestones and royalties. If the estimated upfront and milestone receipts used for this valuation were 10% higher/lower, the loss for 2010 would be approximately £250,000 lower/higher and the book value of intangibles would be £250,000 higher/lower.

Basis of consolidation
The consolidated statement of comprehensive income, the Group balance sheet and the Group statement of cash flows include the financial statements of the Company and its subsidiary undertakings made up to 31 December. Subsidiaries are consolidated from the date at which control is transferred to the Group.

Subsidiaries are entities that are directly or indirectly controlled by 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. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, 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. The 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by 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.

Revenue
The Group generates revenue from product and technology licence transactions and from funded research and development programmes.

Product licence transactions typically have an initial up-front non-refundable payment on execution of the licence, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Technology licence transactions typically have an initial up-front non-refundable payment on execution of the licence and the potential for further annual maintenance payments for the term specified in the licence. Where the initial fee paid is non-refundable and there are no ongoing commitments from the Group and the licence has no fixed end date, the Group recognises the element 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, 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, usually a year. 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 services. Where the Group incurs pass-through expenses in relation to collaborative partners' own research and development programmes, such costs are included in the Group's financial statements as operating expenses net of collaborator reimbursement, and the reimbursement received does not form part of the Group's revenue.

Amounts recognised exclude value added tax. Differences between cash received and amounts recognised are included as deferred revenue where cash received exceeds revenue recognised and as accrued revenue where revenue has yet to be billed to the customer.

Cost of sales
The Group's products and technologies include technology elements that are licensed from third parties. Cost of sales is the royalty arising on such third party licenses. Where royalty due on revenue has not been paid it is included in accruals. Where revenue is spread over a number of accounting periods, the royalty attributable to the deferred revenue is included in prepayments. Pass-through costs reimbursed by collaborative partners do not form part of cost of sales.

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Group (SMG). The Group has one single business segment based upon its proprietary technology.

Clinical trial expenses
Where advances are made to clinical trial sites, or stocks of materials for use of clinical trials are purchased and stored, the relevant costs are included in trade and other receivables as prepaid clinical trial expenses. Expenses are charged to the statement of comprehensive income as clinical trial services are carried out, or clinical trial materials are used.

Exceptional items
Exceptional items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the statement of comprehensive income to give a better understanding to shareholders of the elements of financial performance in the period, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include non-recurring reorganisation costs, costs to complete onerous or futile contracts, and intangible asset impairments.

Financial instruments
The Group and Company's financial instruments comprise investments in subsidiaries, cash and cash equivalents, together with available for sale investments and receivables and payables arising directly from operations. Cash and cash equivalents comprise cash in hand and short term deposits which have an original maturity of three months or less and are readily convertible into known amounts of cash. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included as non-current assets unless management intends to dispose of the investments within 12 months of the financial year end. Bank deposits with maturity of more than three months at the date of inception are included in the classification 'financial assets: available for sale investments', and are carried at their historic purchase price unless there is objective evidence of impairment, in which case they are written down to fair value. Such assets are classified as current where management intend to dispose of the asset within twelve months of the financial year end. Financial instruments are valued at fair value, subject to review for impairment at the financial year end. Charges or credits for impairment are passed through the statement of comprehensive income.

The Group does not enter into derivative transactions, and it is the Group's policy not to undertake any trading in financial instruments. The Group does not have any committed borrowing facilities, as its cash, cash equivalents and available for sale investments are sufficient to finance its current operations. 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. The main risks associated with the Group's financial instruments relate to interest rate risk and foreign currency risk. The Group's policy in relation to interest rate risk is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day to day cash requirements. In relation to foreign currency risk, the Group's policy is to hold the majority of its funds in Sterling, and to use interest-bearing foreign currency deposits to manage short term fluctuations in exchange rates. No other hedging of foreign currency cash flows is undertaken.

Leases
Assets acquired under leases are reviewed to see if they are operating leases or finance leases, based on the following assumptions:

- If the leases transfer ownership of the assets at the end of the lease
- If they have a bargain purchase option
- If the lease term is for the major part of the economic life of the asset
- If the leased assets are specialised for the lease only

No leases have been classified as finance leases. Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Property, plant and equipment
Property, plant and equipment are carried at their historical purchase cost, together with any incidental expenses of acquisition, less depreciation. Cost includes the original purchase price of the asset and the 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. The principal annual rates used for this purpose are:

Short leasehold improvements	20% or the remaining lease term if shorter
Computer equipment	33%
Office and laboratory equipment, fixtures and fittings	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets
Intangible assets, relating to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historic cost, less accumulated amortisation and impairments, where the useful economic life of the asset is finite and the asset will probably generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is tested annually for impairment. Amortisation commences when products underpinned by the intellectual property rights become available for use. In this context, a development candidate which is at a stage where management would expect it could be the subject of a commercial development collaboration, or available for out-licensing, then the intellectual property asset is considered to be available for use. Amortisation is calculated on a straight line basis over the remaining patent life of the asset.

Expenditure on product development is capitalised as an intangible asset and amortised over the expected useful economic life of the product concerned. Capitalisation commences from the point at which technical feasibility and commercial viability of the product can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product once completed. Capitalisation ceases when the product receives regulatory approval for launch. No such costs have been capitalised to date.

Expenditure on research and development activities that do not meet the above criteria, including ongoing costs associated with acquired intellectual property rights and intellectual property rights generated internally by the Group, is charged to the statement of comprehensive income as incurred. Intellectual property and in-process research and development from acquisitions are recognised as intangible assets at fair value. Any residual excess of consideration over the fair value of net assets in an acquisition is recognised as goodwill in the financial statements.

Impairment of non-financial assets
The carrying value of non-financial assets with indefinite lives 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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.

Financial assets: investments
Financial assets: investments of the Group 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 UITF44, the Company treats the value of these awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment.

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 objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

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

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions
Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax 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.

When leasehold properties become redundant or excess space arises in those properties, the Group provides for all costs to the end of the lease or the anticipated date of surrender of the lease, net of anticipated income. Onerous lease provisions are discounted using the UK government zero-coupon bond yield applicable to the term of the cash flows.

The Group recognises dilapidations provisions when: property leases have a legal or constructive obligation to reinstate any alterations or to make good dilapidations at the end of the lease; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Dilapidations provisions are discounted using the UK government zero-coupon bond yield applicable to the remaining term of the relevant leases.

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

Government and other 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, on a systematic basis. This grant income is included as other operating income within the statement of comprehensive income, and the related costs are included within research and development costs and administrative expenses. Where the purchase of property, plant and equipment is supported by a grant, the relevant asset is included in the balance sheet at its full purchase price, and grant income is recognised over the useful life of the asset. The difference between grant income receivable and income recognised is included in accruals.

Rental income
Rental income from the Group's redundant former research and development facility in San Diego, USA is offset in the statement of comprehensive income against the rent payable under the head lease. Rental income is recognised in the statement of comprehensive income when it becomes payable.

Employee benefit costs
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 recognised in the period represents amounts payable by the Group to the scheme.

Share based payments
Equity settled share based payments under which the Group receives services from employees as consideration for equity instruments (options) are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period of the award. Options issued on the same date are valued in batches where the valuation model assumptions are the same. At each financial year end, the Group revises its estimate of the number of options in each batch that are expected to become exercisable based on the non-market vesting condition. At the end of the vesting period for each batch of options the cumulative charge for share-based payment reflects the actual options that have vested, with no charge for those options which were forfeit prior to vesting. The financial consequences of revisions to the original estimates, if any, are recognised in the current year statement of comprehensive income either as an addition to or a deduction from the charge for share-based payment, with a corresponding adjustment to equity.

The fair value of share options is measured using a Black-Scholes option pricing model. Where complex market performance criteria exist, a Monte Carlo model has been used to establish the fair value on grant. When share options are exercised the proceeds received are credited to share capital (nominal value) and share premium.

Other employee benefits
The expected cost of compensated short term absence (e.g. holidays) is recognised when employees render services that increase their entitlement. Accrual is made for holidays earned but not taken, and prepayments recognised for holidays taken in excess of days earned.

Foreign currency translation
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and the Group's presentational currency.

Monetary assets and liabilities in foreign currencies are translated into the functional currency at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into the functional currency at the rates of exchange ruling at the date of the transaction. Foreign exchange differences are taken to the statement of comprehensive income in the year in which they arise.

Assets and liabilities of the Company's US subsidiary are translated to Sterling at the year-end exchange rate, whilst its statements of income and cash flows are translated at monthly average rates. Redundant assets at the US subsidiary's former laboratories have been written down to a book value of zero and have no impact on present or future exchange differences. Translation differences that arise are taken directly to a currency translation account within equity.

Taxation including deferred income tax
The charge/credit for current tax is based on the results for the year, adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantially enacted at the financial year end.

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred income tax liabilities are recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group and Company are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is calculated at the average tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred income tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred income tax is also dealt with in equity.

2, Financial risk management

Financial risk factors
The Group's relatively simple structure, principally operating in the United Kingdom, and the lack of debt financing reduces the range of financial risks to which it is exposed. 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
At the current time, the Group's revenues are mostly receivable in United States Dollars, and certain of its expenditures are payable in Euros and US Dollars. The majority of operating costs are denominated in Sterling. In 2010, the level of US Dollar-denominated receipts was closely matched by US-Dollar denominated payments, such that a 10% difference in the £/$ exchange rate would only have had an impact of approximately £32,000 over the year. In the future if this degree of matching was not present, it could present a possible source of foreign exchange risk. The Group had a slightly greater 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 2010 would have been approximately £218,000. The Group uses interest-bearing deposits in Euros and US Dollars to manage short term fluctuations in exchange rates.

(b) Interest rate risk
The Group does not have any committed borrowing facilities, as its cash balances are sufficient to finance its current operations. 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. Interest receivable on bank deposits in 2010 was £213,000 (2009: £642,000). The full effect of the dramatic fall in interest rates across the market at the end of 2008 was first seen in the 2010 accounts – in 2009 not only was the average amount of funds on deposit higher, but some deposits accrued interest at rates above the rates prevailing in the market in 2009, having been placed at fixed rates earlier in 2008.

If interest rates had been 100 basis points higher/lower in 2010, the impact on net loss in 2010 would have been a decrease/increase of £164,000 (2009: £236,000) due to changes in the amount of interest receivable.

(c) Credit risks
The Group's policy is to place funds with financial institutions rated at least A and to distribute deposits between several banks. In 2010 the Group was in the process of clearing down deposits from a bank that, during the year, had been downgraded from its former 'A' rating. Residual funds of £432,000 were held in no-notice deposits with this bank at 31 December 2010.

Currently the majority of the Group's revenue and a significant proportion of the Group's trade and other receivables derive from a single trading relationship. Although the counter-party is a profitable, well-capitalised multinational organisation, there is a theoretical credit risk associated with this concentration of revenue.

(d) Cash flow and Liquidity risk
At present the Group's operations are funded from its cash and short-term investments. The maturity profile of investments is structured to ensure that sufficient liquid funds are available to meet planned operating requirements. To date the Group's funding has been provided mainly by the issue of shares and from commercial collaborations. Most recently the company raised £20 million before costs from a placing and open offer which closed on 10 January 2011. This mitigates the risk in the near term. Future working capital is expected to be provided by commercial collaborations. Such collaborations typically provide funding from milestone-based payments, which are significant in size but infrequent. There can be no certainty that this source of funding will be sufficient, and that additional funding from other sources, including the issue of further shares, will not be required. In planning the Group's activities and its financial resources, the Directors take account of the probability receiving income from commercial collaborations, and of the likely availability of other sources of funding. The Group's spending plans are set to achieve a balance between adding value to the key development programmes while seeking to maximise the operating window provided by current funds. The Directors' current financial projections provide a reasonable basis from which they have concluded that the Group's financial resources are sufficient for the foreseeable future, and that there is presently no material cash flow or liquidity risk.

(e) Pricing risk
Currently revenue derives from collaboration milestones and reimbursement of funded research and development, which are not sensitive to pricing risk.

(f) Capital management
The Group manages its cash, cash equivalents and available for sale investments in order to ensure it has working capital to meet its day to day needs, and has never failed in this objective. Further information on cash flow and liquidity risk is given in section (d) above. The Group is not subject to any regulation requiring any specific capital management.

Derivative financial instruments and hedging
There were no derivatives at 31 December 2010 or 31 December 2009, 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.

3. Segmental analysis

The chief operating decision-maker has been identified as the Senior Management Group (SMG). The SMG reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on internal management reports.

The SMG considers that the business comprises a single activity, which is biotechnology research and development. The SMG reviews the Group's profit or loss and its cash flows, assets and liabilities on a whole-company basis. In carrying out these reviews, the SMG considers all material items of income and expenditures that are directly attributable to individual development programmes. The internal management reports do not allocate assets and liabilities or shared overheads to individual products, as the Group does not consider it meaningful, in the present development phase, to attempt to attribute profits or losses to individual products.

Based on the above considerations, there is considered to be one reportable segment: biotechnology research and development.

Internal and external reporting is on a consolidated basis, with purchases and sales between subsidiaries eliminated on consolidation. Therefore the segment financial information is the same as that set out in the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows and the statement of changes in equity.

The Group's revenue derives wholly from assets located in the United Kingdom. Analysed by location of customers, revenue derives from the European Union and the United States of America.

Revenue by customer location	**2010 £'000**	2009 £'000
Europe	**10,347**	18,991
United States of America	**806**	129
Total revenue	**11,153**	19,120

Revenue attributable to the collaborations with sanofi-aventis was £10,286,000 (2009: £18,922,000).

4, Employees and Directors

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

By activity	2010 Number	2009 Number
Office and management	**11**	11
Research and development	**62**	58
Total	**73**	69

Employee benefit costs	2010 £'000	2009 £'000
Short term employee benefits	**4,916**	5,350
Post-employment benefits (note 28)	**296**	295
Termination benefits	**35**	149
Share based payments (note 23)	**542**	808
Total employee benefit costs	**5,789**	6,602

Key management compensation	2010 £'000	2009 £'000
Short term employee benefits	**2,557**	1,754
Post-employment benefits	**151**	125
Termination benefits	**30**	50
Share based payments	**403**	656
Total	**3,141**	2,585

The key management figures above include Executive and Non-Executive Directors. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 50-55, which forms part of these financial statements.

The Company had no employees during the year (2009: nil).

5, Exceptional items

Exceptional items represent significant items of income or expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the statement of comprehensive income to give a better understanding to shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Group	2010 £'000	2009 £'000
Revenue	**–**	10,089
Cost of sales	**–**	(527)
Research and development costs	**(3,949)**	(3,392)
Administrative expenses	**–**	(169)
Exceptional operating (loss)/profit	**(3,949)**	6,001

Following a review of the carrying value of intangible assets, the Directors have made a provision for impairment of £3,949,000 covering the product Hi8®-Mel which is in the process of being divested, and two other in-licensed technologies which, due to prioritisation of investment in research and development, are not utilised in the current product portfolio. At 31 December 2010 the book value attributed to Hi8®-Mel was £3,254,000 (2009: £6,933,000).

A net exceptional profit of £6,001,000 was recognised in 2009. In April 2009 the Group's development partner, sanofi-aventis, terminated the TroVax® collaboration and returned the worldwide rights relating to TroVax®. Exceptional items in 2009 comprise termination payments from sanofi-aventis, the recognition of the remaining deferred TroVax® income, the write-off of prepaid cost of sales (royalty) attributable to the deferred income, and the write-off of certain R&D costs and administrative expenses.

In June 2009 the Group reviewed its strategy for the development of TroVax® following an FDA type C review. As a result a provision was established for the estimated costs to close out the TRIST study, and certain prepaid clinical trial expenses in respect of the planned Quasar clinical trial in adjuvant colorectal cancer were written off.

6, Finance income and expense

Group	2010 £'000	2009 £'000
Finance income:		
Bank interest receivable	**213**	642
Other interest receivable	**9**	27
Total finance income	**222**	669
Finance expense:		
Unwinding of discount in provisions (note 18)	**(14)**	(10)
Other interest payable	**(1)**	(23)
Total finance expense	**(15)**	(33)
Net finance income	**207**	636

7, Expenses by nature

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Excluding exceptional items:				
Cost of sales (royalties payable) – net credit	**(593)**	(90)	**–**	–
Employee benefit costs (note 4)	**5,789**	6,602	**–**	–
Consumables used	**1,013**	986	**–**	–
Depreciation of property, plant and equipment (note 12)	**345**	311	**–**	–
Amortisation and impairment (notes 11, 13)	**699**	–	**31,522**	(24,215)
Loss/(profit) on disposal of property, plant and equipment	**2**	(1)	**–**	–
Loss on disposal of intangible asset	**17**	78	**–**	–
Profit on sale of fixed asset investment	**(36)**	–	**–**	–
Repairs and maintenance expenditure on property, plant and equipment	**246**	203	**–**	–
Operating lease payments	**1,122**	1,095	**–**	–
Rental income from sublease	**(481)**	(458)	**–**	–
Consultants and subcontracted research	**372**	507	**–**	–
Externally contracted clinical and preclinical development	**7,077**	7,505	**–**	–
Legal and professional fees including patent costs	**1,555**	2,753	**143**	149
Net (gain)/loss on foreign exchange	**(102)**	377	**–**	–
Other expenses	**2,232**	997	**9**	9
Total before exceptional items	**19,257**	20,865	**31,674**	(24,057)
Exceptional items:				
Cost of sales (royalties payable)	**–**	527	**–**	–
Externally contracted clinical and preclinical development	**–**	3,356	**–**	–
Legal and professional fees	**–**	169	**–**	–
Other expenses	**–**	36	**–**	–
Impairment of intangible assets	**3,949**	–	**–**	–
Total for exceptional items	**3,949**	4,088	**–**	–
Total cost of sales, research and development and administrative expenses	**23,206**	24,953	**31,674**	(24,057)

During the year the Group obtained services from the Group's auditors as detailed below:

	Group		Company	
Services provided by the Group's auditors	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	**37**	36	**37**	36
Fees payable to the Company's auditors and its associates for other services:				
The audit of the Company's subsidiaries pursuant to legislation	**29**	29	**–**	–
Other services pursuant to legislation	**28**	18	**18**	10
Taxation	**22**	33	**–**	–
Expenses of share issue[1]	**170**	–	**170**	–
Total	**286**	116	**225**	46

1. In 2010 the Company incurred costs of £170,000 (classified as prepayments at 31 December 2010) with PricewaterhouseCoopers LLP in connection with the placing and open offer which closed on 10 January 2011.

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 2010 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 2010 have not yet been agreed with the relevant tax authorities.

	Group		Company	
Continuing operations	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Current tax				
United Kingdom corporation tax research and development credit	**(1,331)**	(1,650)	**–**	–
Overseas taxation	**70**	61	**–**	–
	(1,261)	(1,589)	**–**	–
Adjustments in respect of prior periods				
United Kingdom corporation tax research and development credit	**(239)**	–	**–**	–
Overseas taxation	**(14)**	10	**–**	–
Taxation credit	**(1,514)**	(1,579)	**–**	–

The tax credit for the year is lower (2009: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
(Loss)/profit on ordinary activities before tax	**(11,804)**	(5,094)	**(31,674)**	24,057
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	**(3,305)**	(1,426)	**(8,869)**	6,736
Effects of:				
Accelerated tax depreciation and other timing differences	**1,269**	117	**–**	–
Expenses not deductible for tax purposes (includes impairment of investment in subsidiaries)	**11**	15	**8,827**	(6,780)
R&D relief mark-up on expenses	**(1,608)**	(2,044)	**–**	–
Difference in rate relating to R&D tax credits	**1,331**	1,650	**–**	–
Tax deduction for share options less than IFRS 2 charge	**263**	32	**–**	–
Overseas tax	**5**	6	**–**	–
Tax losses carried forward to future periods	**750**	44	**42**	44
Overseas tax difference in rate	**23**	17	**–**	–
Adjustments in respect of prior periods	**(253)**	10	**–**	–
Current tax credit for the year	**(1,514)**	(1,579)	**–**	–

At 31 December 2010, the Group had tax losses to be carried forward of approximately £83.0 million (2009: £80.2 million) of which £80.4 million has been agreed with the Revenue authorities. Of the Group tax losses, £83.0 million (2009: £80.2 million) arose in the United Kingdom.

There is no deferred tax recognised (see note 20).

9, Basic loss and diluted loss per ordinary share

The basic loss per share has been calculated by dividing the loss for the year by the weighted average number of shares of 543,924,620 in issue during the year ended 31 December 2010 (2009: 539,872,996).

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 £31,674,000 (2009: profit of £24,057,000). The loss/profit includes a charge of £31,522,000 for impairment of investments in subsidiaries (2009: write-back of £24,215,000).

11, Intangible assets

Group	In-process R&D £'000	Intellectual property rights £'000	Total £'000
Cost			
At 1 January 2010	10,400	5,505	15,905
Additions	–	229	229
Disposals	–	(445)	(445)
At 31 December 2010	**10,400**	**5,289**	**15,689**
Accumulated amortisation and impairment			
At 1 January 2010	3,667	1,119	4,786
Amortisation charge for the year	409	290	699
Impairment provided in the year	3,162	787	3,949
Disposals	–	(428)	(428)
At 31 December 2010	**7,238**	**1,768**	**9,006**
Net book amount at 31 December 2010	**3,162**	**3,521**	**6,683**
Cost			
At 1 January 2009	10,400	5,505	15,905
Additions	–	78	78
Disposal	–	(78)	(78)
At 31 December 2009	**10,400**	**5,505**	**15,905**
Accumulated amortisation and impairment			
At 1 January and 31 December 2009	**3,667**	**1,119**	**4,786**
Net book amount at 31 December 2009	**6,733**	**4,386**	**11,119**

In-process R&D relates to the product Hi8®-MEL acquired as part of the acquisition of Oxxon Therapeutics Limited in 2007. 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.

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

During the year a process was initiated to divest Hi8®-MEL. The process is ongoing, but the outcome is currently uncertain. Based on progress achieved towards divestment, Hi8®-MEL was further impaired in 2010.

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. 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 12% per annum.
- 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.

The Company had no intangibles at 31 December 2010 or 31 December 2009.

12. Property, plant and equipment

Group	Short leasehold improvements £'000	Office equipment, fixtures and fittings £'000	Computer equipment £'000	Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2010	2,864	101	294	2,859	6,118
Exchange adjustments	15	–	1	–	16
Additions at cost	137	14	47	99	297
Disposals	(50)	(3)	(13)	(45)	(111)
At 31 December 2010	**2,966**	**112**	**329**	**2,913**	**6,320**
Accumulated depreciation					
At 1 January 2010	2,597	92	200	2,598	5,487
Exchange adjustments	15	–	1	–	16
Charge for the year	154	6	66	119	345
Disposals	(50)	(1)	(13)	(44)	(108)
At 31 December 2010	**2,716**	**97**	**254**	**2,673**	**5,740**
Net book amount at 31 December 2010	**250**	**15**	**75**	**240**	**580**
Cost					
At 1 January 2009	2,783	99	309	2,821	6,012
Exchange adjustments	(43)	–	(2)	–	(45)
Additions at cost	140	2	20	92	254
Disposals	(16)	–	(33)	(54)	(103)
At 31 December 2009	**2,864**	**101**	**294**	**2,859**	**6,118**
Accumulated depreciation					
At 1 January 2009	2,547	89	177	2,511	5,324
Exchange adjustments	(43)	–	(2)	–	(45)
Charge for the year	109	3	58	141	311
Disposals	(16)	–	(33)	(54)	(103)
At 31 December 2009	**2,597**	**92**	**200**	**2,598**	**5,487**
Net book amount at 31 December 2009	**267**	**9**	**94**	**261**	**631**

The Company had no property, plant and equipment at 31 December 2010 or 31 December 2009.

13, Investment in subsidiaries

Fixed asset investments: Company	2010 £'000	2009 £'000
Shares in Group undertakings		
At 1 January and 31 December	**17,158**	17,158
Loans to Group undertakings		
At 1 January	**110,420**	110,161
Loan (recovered)/advanced in the year	**(182)**	259
Subsidiary debt settled by issue of parent shares	**185**	–
At 31 December	**110,423**	110,420
Total investments in shares and loans to Group undertakings	**127,581**	127,578
Impairment		
At 1 January	**69,954**	94,169
Impairment charge/(write-back) in the year	**31,522**	(24,215)
At 31 December	**101,476**	69,954
Net book amount at 31 December	**26,105**	57,624
Capital contribution in respect of employee share schemes (see note 26)		
At 1 January	**3,329**	2,521
Additions in the year	**542**	808
At 31 December	**3,871**	3,329
Total investments	**29,976**	60,953

The Group had no investments at 31 December 2010 (2009: 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 and development
BioMedica Inc	United States of America	$0.001 common stock	100%	Gene therapy research and development
Oxxon Therapeutics Limited	Great Britain	1p ordinary shares	100%	Dormant

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

At each year end the Directors review the carrying value of the Company's investment in subsidiaries, by reference to the Group's market capitalisation on the London Stock Exchange. Where there is a material and sustained shortfall, or a significant and sustained change in the business resulting in an increase 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 2010 a £31,522,000 impairment charge was recognised. Cumulative impairment of £101,476,000 was held at 31 December 2010.

Interests in joint ventures
In 2010 the Group sold its 50% interest in ViroTech Limited, a company incorporated in South Korea to its joint venture partner, recognising a profit on disposal of £36,000. ViroTech Limited's business is gene therapy research and development, but up to the date of disposal, no significant level of transactions had been entered into.

14, Trade and other receivables

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Non-current				
Other receivables – rent deposit	**150**	145	**–**	–
Current				
Trade receivables	**394**	88	**–**	–
Accrued income	**1,366**	1,925	**–**	–
Other receivables	**108**	298	**–**	–
Other tax receivable	**109**	150	**–**	–
Prepaid costs of share issues	**777**	–	**777**	–
Prepaid clinical trial expenses	**368**	70	**–**	–
Other prepayments	**1,523**	1,952	**15**	2
	4,645	4,483	**792**	2
Total trade and other receivables	**4,795**	4,628	**792**	2

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

At 31 December 2010 and 31 December 2009 none of the trade receivables were aged over three months and consequently there are considered to be no past due trade receivables. No provision for impairment of receivables has been recognised. Non-current receivables are not discounted as the impact of discounting would not be material.

Accrued income of £1,366,000 (2009: £1,925,000) relates to R&D funding receivable from sanofi-aventis.

In January 2011 the Company raised £20 million before costs in a placing and open offer. Costs related to the share issue of £777,000 accrued up to 31 December 2010 have been classified as prepaid costs of share issues.

Prepaid clinical trial expenses mainly comprise advance payments to clinical trial sites.

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

	2010 £'000	2009 £'000
Sterling	**2,669**	2,367
US Dollar	**2,126**	2,261
	4,795	4,628

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.

15, Cash and cash equivalents

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Cash at bank and in hand	**6,653**	3,802	**2**	1
Short term bank deposits	**–**	3,000	**–**	–
Total cash and cash equivalents	**6,653**	6,802	**2**	1

In addition to the cash and cash equivalents described above, the Group held Sterling bank deposits of £5,603,000 (2009: £18,500,000) with an initial term to maturity between three and twelve months classified as available for sale investments. None of these deposits is past due or impaired.

The Company held no available for sale investments in 2010 or 2009.

16, Trade and other payables – current

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Trade payables	**1,277**	1,965	**–**	–
Other taxation and social security	**139**	304	**–**	–
Accrued share issue costs	**525**	–	**525**	–
Other accruals	**1,982**	5,400	**113**	73
Total trade and other payables	**3,923**	7,669	**638**	73

17, Deferred income

Group	**2010 £'000**	2009 £'000
Current	**5,201**	4,741
Non-current	**4,201**	9,024
Total deferred income	**9,402**	13,765

On 28 April 2009 the Group entered into a collaborative programme with sanofi-aventis to develop gene therapy products to treat ocular diseases. An initial non-refundable payment of US$26 million (£16,641,000) was received. This is being recognised as revenue on a straight line basis over 42 to 51 months (the expected duration of the initial stage of the collaboration for each of the four products). Revenue to date of £7,775,000 has been recognised under this collaboration (£3,110,000 in 2009 and £4,665,000 in 2010). The remaining £8,866,000 is classified as deferred income. £4,665,000 is expected to be recognised as income in the next 12 months and is classified as current: the remaining £4,201,000 is classified as non-current.

Over the term of the ocular gene therapy collaboration, Oxford BioMedica may recover from sanofi-aventis up to US$24 million in research and development funding. Project costs in excess of US$24 million will be borne by Oxford BioMedica. £5,621,000 has been recognised as revenue in 2010 (2009: £3,114,000) and £457,000 has been classified as current deferred income.

The Company had no deferred income in 2010 or 2009.

18, Provisions

Group	**Clinical trial £'000**	**Dilapidations £'000**	**Onerous lease £'000**	**Total £'000**
At 1 January 2010	817	420	200	**1,437**
Exchange adjustments	–	–	8	**8**
Utilised in the year	(817)	–	(88)	**(905)**
Unwinding of discount	–	12	2	**14**
Change of discount rate – charged in the statement of comprehensive income	–	–	2	**2**
Change of discount rate – adjustment to recognised fixed asset	–	25	–	**25**
At 31 December 2010	**–**	**457**	**124**	**581**
At 1 January 2009	–	411	308	**719**
Exchange adjustments	–	–	(27)	**(27)**
Provided in the year	2,202	–	–	**2,202**
Utilised in the year	(1,385)	–	(88)	**(1,473)**
Unwinding of discount	–	5	5	**10**
Change of discount rate – charged in the statement of comprehensive income	–	–	2	**2**
Change of discount rate – adjustment to recognised fixed asset	–	4	–	**4**
At 31 December 2009	**817**	**420**	**200**	**1,437**

	2010 £'000	2009 £'000
Current	**83**	898
Non-current	**498**	539
Total provisions	**581**	1,437

The clinical trial provision was established following a review of TroVax® development in June 2009. It represented the anticipated costs to complete the TRIST study in renal cancer from June 2009. The TRIST study close-out was in progress at 31 December 2009 and was completed in 2010.

The dilapidations provision relates to anticipated costs of restoring the leasehold property in Oxford, UK to its original condition at the end of the present leases in 2016, discounted at 2.40% per annum (2009: 3.40%). The provision will be utilised at the end of the leases if they are not renewed.

The onerous lease provision relates to the estimated rental shortfall in respect of a redundant property in San Diego, USA which has been sub-let for the remainder of the lease term until June 2012, discounted at 0.82% per annum (2009: 1.77% per annum).The provision will be utilised over the term of the lease.

The Company had no provisions at 31 December 2010 or 31 December 2009.

19, Financial instruments

The Group's and Company's financial instruments comprise investments in subsidiaries, cash and cash equivalents, together with available for sale investments, trade and other receivables, and trade and other payables. Additional disclosures are set out in the Corporate Governance Statement and in note 2 relating to risk management.

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

	Assets		Liabilities	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Cash and cash equivalents	**6,653**	6,802	**–**	–
Available for sale investments	**5,603**	18,500	**–**	–
Trade receivables and other receivables (see note 14)	**652**	531	**–**	–
Trade and other payables excluding tax	**–**	–	**3,784**	7,365
	12,908	25,833	**3,784**	7,365

All the available for sale investments held at 31 December 2010 and 31 December 2009 were denominated in Sterling.

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.

	2010			2009		
	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	**0.95%**	**118 days**	**1.31%**	1.45%	195 days	2.54%
Euro	**0.85%**	**31 days**	**0.49%**	0.45%	31 days	1.58%
US Dollars	**0.90%**	**31 days**	**0.46%**	0.43%	31 days	3.09%

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 do not meet certain requirements set out in the standard. There were no such derivatives identified at 31 December 2010 or 31 December 2009.

Fair value

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

20, Deferred taxation

Neither the Company nor the Group had any recognised deferred tax assets or liabilities at 31 December 2010 (2009: 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 number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No2) Act 2010, which was substantively enacted on 20 July 2010, included legislation reducing the main corporation tax rate from 28 per cent to 27 per cent from 1 April 2011. The effects of this reduction in corporation tax rate are included in these financial statements.

Further reductions to the main corporation tax rate are proposed to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements. These further reductions in the corporation tax rate are not expected to have a material impact on the tax figures disclosed in these financial statements.

Group **Deferred tax liabilities/(assets) – not recognised**	**Accelerated tax depreciation £'000**	**Provisions £'000**	**Tax losses £'000**	**Share options £'000**	**Total £'000**
At 1 January 2010	2,049	(336)	(22,705)	(240)	(21,232)
Origination and reversal of temporary differences	(1,754)	(2)	266	115	(1,375)
At 31 December 2010	**295**	**(338)**	**(22,439)**	**(125)**	**(22,607)**
At 1 January 2009	3,047	(332)	(22,305)	(47)	(19,637)
Origination and reversal of temporary differences	(998)	(4)	(400)	(193)	(1,595)
At 31 December 2009	**2,049**	**(336)**	**(22,705)**	**(240)**	**(21,232)**

21, Called-up share capital

Group and Company **Authorised**	**2010 £'000**	2009 £'000
Now unlimited (2009: 1,000,000,000 ordinary shares of 1p each)	**Unlimited**	10,000

Issued and fully paid	**2010 £'000**	2009 £'000
Ordinary shares of 1p each		
At 1 January – 541,185,828 (2009: 537,289,761) shares	**5,412**	5,373
Allotted for cash to licensors of patent rights – 1,699,876 shares	**17**	–
Allotted on exercise of share options – 181,892 (2009: 187,025) shares	**2**	2
Issued to settle an IP royalty liability – 1,807,961 shares	**18**	–
Subscription by collaborative partner in 2009 – 2,209,042 shares	**–**	22
One-off share-settled bonus payment in 2009 – 1,500,000 shares	**–**	15
At 31 December – 544,875,557 (2009: 541,185,828) shares	**5,449**	5,412

From 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital. The Company's articles were amended to this effect by special resolution on 27 April 2010.

On 21 January 2010 the company issued 1,699,876 ordinary shares of 1p each to the Research Development Foundation, the technology transfer entity for the Clayton Foundation for Research of Houston, Texas at 11.575p per share (total consideration of £197,000) to secure exclusive rights to intellectual property supporting the ocular products RetinoStat® and EncorStat®. Costs of £9,000 in respect of this share issue have been charged to the share premium account.

Between 18 February 2010 and 28 April 2010 the Company issued 181,892 ordinary shares of 1p each on the exercise of share options under share option schemes for aggregate cash consideration of £13,000. There were no costs in respect of these share issues.

On 17 June 2010 the Company issued 1,807,961 ordinary shares of 1p each at 10.25p per share (total value £185,000) to Cancer Research Technology Limited (CRT) as part of the settlement of royalty payments covering the use and exploitation of the 5T4 antigen used in TroVax®, that were due to CRT relating to amounts received under the sanofi-aventis TroVax® agreement (signed March 2007 and terminated April 2009). Costs of £5,000 in respect of this share issue have been charged to the share premium account.

22, Options over shares of Oxford BioMedica plc

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

- the Oxford BioMedica 1996 (No.1) Share Option Scheme (closed October 2006)
- the Oxford BioMedica 2007 Share Option Scheme (approved February 2007)
- the long term incentive plan (LTIP) for Executive Directors and senior executives (approved February 2007)

Options have also been granted to a small number of individuals (mainly employees of the Company's US subsidiary BioMedica Inc) under individual option agreements.

The total number of options over ordinary shares of 1p each that had been granted and had not been exercised or lapsed at 31 December 2010 was as follows:

Options granted to employees (including Directors) under the Oxford BioMedica 1996 (No. 1) Share Option Scheme

2010 Number of shares	2009 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
–	748,895	7.0p to 19.25p	07/03/06 to 27/10/06	07/03/10 to 27/10/10
1,964,676	2,108,713	16.5p to 23.0p	26/03/07 to 29/11/07	26/03/11 to 29/11/11
1,853,999	2,163,887	20.25p to 43.25p	01/04/08 to 15/12/08	01/04/12 to 15/12/12
980,125	1,416,151	28.25p to 31.0p	21/03/09 to 06/09/09	21/03/13 to 06/09/13
4,798,800	6,437,646			

Options granted to employees under the Oxford BioMedica 2007 Share Option Scheme

2010 Number of shares	2009 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
1,121,411	1,272,091	22.0p to 49.25p	08/03/10 to 14/12/10	08/03/17 to 14/12/17
1,681,307	1,864,421	5.75p to 22.5p	13/03/11 to 13/10/11	13/03/18 to 13/10/18
2,450,376	2,726,789	6.10p to 11.25p	25/03/12 to 08/10/12	25/03/19 to 08/10/19
2,923,421	–	9.50p to 9.69p	01/04/13 to 13/09/13	01/04/20 to 13/09/20
8,176,515	5,863,301			

Options granted under the Oxford BioMedica Long Term Incentive Plan

2010 Number of shares	2009 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
–	2,754,003	1p	03/04/10	04/04/17
3,352,088	4,140,670	1p	13/03/11	13/03/18
2,875,000	2,875,000	1p	13/10/11	13/10/18
6,423,000	7,296,000	1p	25/03/12	25/03/19
6,106,000	–	1p	15/06/13	15/06/20
18,756,088	17,065,673			

Options granted under individual contracts

2010 Number of shares	2009 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
3,865,194	3,865,194	43.0p to 51.0p	25/05/02 to 25/06/02	25/05/11 to 25/06/11
35,596,597	33,231,814			

Options granted to UK employees after 5 April 1999 could give rise to a National Insurance (NI) liability on exercise. All relevant options granted prior to 26 March 2004 have either been exercised or have lapsed, so there is no NI liability in respect of these options. For options granted between 26 March 2004 and 6 September 2006, the Company obtained undertakings from the holders of the relevant options to pay any secondary NI on exercise, so there is no NI liability in respect of these options. In respect of options (including LTIP awards) granted on or after 8 March 2007 there are no such employee undertakings, so an NI liability could arise on the exercise of the options. A provision of £59,000 (2009: £108,000) is included in accruals for the potential NI liability accrued to 31 December on relevant options that were above water, based on the year-end share price of 5.53p (2009: 11.25p) per share.

23, Share based payments

All eligible employees of the Group are awarded share options or Long Term Incentive Plan (LTIP) awards. Options granted to UK employees have been issued under the Oxford BioMedica 1996 (No.1) Share Option Scheme ("the 1996 Scheme") or its successor the Oxford BioMedica 2007 Share Option Scheme ("the 2007 Scheme"). It is the Company's policy under these schemes to make six grants of options to UK employees, at approximately six-month intervals during their first three years of employment. At the discretion of the Remuneration Committee, additional options have also been granted to employees under the share schemes in force from time to time. Since the introduction of the LTIP in 2007, Directors and certain senior managers are not eligible to participate in the 2007 Scheme, but are eligible for LTIP awards.

Options granted under the 1996 Scheme have a fixed exercise price based on the market price at the date of grant. The contractual life of the options is seven years. Options cannot normally be exercised before the third anniversary of the date of grant. For options granted to Directors and to certain other employees since 2001, the options are exercisable only if at the time of exercise, or for at least 12 months in aggregate during the three years before exercise, the percentage increase in Oxford BioMedica plc's total shareholder return since the grant of the option exceeds the percentage increase in the FTSE techMARK MediScience index.

Options granted under the 2007 Scheme also have a fixed exercise price based on the market price at the time of grant. The contractual life of these options is ten years. Options cannot normally be exercised before the third anniversary of the date of grant.

Options granted to employees at the Group's US subsidiary are generally awarded as a single grant at the time of joining the subsidiary, and have a contractual life of ten years. Twenty five per cent of the total shares under option become exercisable twelve months after the date of grant, with the remainder becoming exercisable thereafter at the rate of 2.0834 per cent per month.

LTIP awards made to date are nil-cost options, exercisable at par on the third anniversary of the date of grant. Release of the LTIP award will depend on the satisfaction of a performance condition based on comparative Total Shareholder Return against a comparator group of companies. The LTIP award in June 2010 had a secondary milestone-based performance condition.

Options, other than LTIP awards, have been valued using a Black-Scholes option pricing model. The LTIP awards, which contain complex market-based conditions, were valued using a Monte Carlo model. For each relevant option grant, individual valuation assumptions were assessed based upon conditions at the date of grant. The range of assumptions in the calculation of share based payment in 2010 is as follows:

Share options	Share options granted 08.03.07 to 14.12.07	Share options granted 13.03.08 to 13.10.08	Share options granted 25.03.09 to 08.10.09	Share options granted 01.04.10 to 13.09.10
Share price at grant date	22.00p to 49.25p	6.80p to 23.75p	6.08p to 11.75p	9.10p to 9.50p
Exercise price	22.00p to 49.25p	5.75p to 22.50p	6.10p to 11.25p	9.50p to 9.69p
Vesting period (years)	3.00	3.00	3.00	3.00
Total number of shares under option	2,010,309	2,477,453	2,726,789	2,923,421
Expected volatility (weighted average)	63.0%	71.2%	75.2%	76.0%
Expected life (years, weighted average)	5.70	5.70	5.77	5.76
Risk free rate (weighted average)	4.98%	4.33%	2.71%	2.41%
Expected rate of forfeit before vesting (weighted average)	34.8%	33.9%	18.0%	16.9%
Fair value per option	13.34p to 30.68p	4.75p to 14.79p	3.94p to 7.93p	6.00p to 6.28p

LTIP awards	LTIP award 03.04.07	LTIP award 13.03.08	LTIP award 13.10.08	LTIP award 25.03.09	LTIP award 15.06.10
Share price at grant date	48.50p	23.75p	6.80p	6.08p	10.25p
Exercise price	1.00p	1.00p	1.00p	1.00p	1.00p
Vesting period (years)	3.00	3.00	3.00	3.00	3.00
Total number of shares under option	4,079,495	5,723,852	2,875,000	7,296,000	6,106,000
Expected volatility	57.0%	61.6%	83.7%	60.0%	89.1%
Expected life (years)	3.00	3.00	3.00	3.00	3.00
Risk free rate	5.32%	3.99%	3.91%	2.11%	1.55%
Expected rate of forfeit before vesting	32.5%	41.4%	0.0%	12.0%	0.0%
Expectation of meeting performance criteria	66%	74%	85%	74%	83%
Fair value per option	32.87p	16.84p	5.12p	3.90p	7.40p

Before 2009, expected volatility was based on historical volatility for a period the same length as the expected option life ending on the date of grant. For the 25 March 2009 and 15 June 2010 LTIP awards a volatility cone analysis was used, as this approach provides better estimate of the mean reverting annual rate of volatility. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the expected option life.

Excluding the LTIP awards, which are exercisable at par subject to satisfaction of the performance condition, the weighted average share price for options granted during the year was 9.5p (2009: 9.7p). The weighted average share price for options exercised during the year was 6.9p (2009: 8.2p).The total charge for the year relating to employee share based payment plans was £542,000 (2009: £808,000), all of which related to equity-settled share based payment transactions. A reconciliation of movements in all options over the year to 31 December 2010 and an analysis of options outstanding at the year end are shown below.

	2010		2009	
Share options excluding LTIP	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	**16,166,141**	**28.3p**	18,006,978	30.2p
Granted	**2,923,421**	**9.5p**	2,726,789	9.7p
Expired	**(1,597,892)**	**26.7p**	(2,987,071)	24.7p
Forfeited	**(469,269)**	**11.3p**	(1,393,530)	26.4p
Exercised	**(181,892)**	**6.9p**	(187,025)	8.2p
Outstanding at 31 December	**16,840,509**	**25.9p**	16,166,141	28.3p
Exercisable at 31 December	**9,785,405**	**37.2p**	10,273,840	34.4p
Exercisable and where market price exceeds exercise price at 31 December	**–**	**N/a**	173,330	7.0p

LTIP awards (options exercisable at par value 1p)	2010 Number	2009 Number
Outstanding at 1 January	**17,065,673**	9,769,673
Granted	**6,106,000**	7,296,000
Expired	**(2,754,003)**	–
Forfeited	**(1,661,582)**	–
Outstanding at 31 December	**18,756,088**	17,065,673
Exercisable at 31 December	**–**	–

	2010				2009			
	Weighted average exercise price	Number of shares	Weighted average remaining life (years) Expected	Contractual	Weighted average exercise price	Number of shares	Weighted average remaining life (years) Expected	Contractual
Range of exercise prices								
LTIP:								
Exercisable at par	**1.0p**	**18,756,088**	**1.38**	**1.38**	1.0p	17,065,673	1.59	1.59
Options:								
Under 10p	**8.5p**	**4,137,680**	**4.89**	**9.13**	6.0p	1,540,482	4.19	6.85
10p to 20p	**11.0p**	**2,578,685**	**4.09**	**8.13**	12.4p	3,423,993	4.20	7.74
20p to 30p	**23.7p**	**4,418,210**	**1.27**	**2.06**	24.1p	5,057,789	1.31	3.04
30p to 40p	**34.0p**	**877,115**	**1.88**	**4.56**	33.5p	1,113,432	2.82	5.23
40p to 50p	**45.2p**	**1,466,785**	**1.12**	**3.15**	45.3p	1,668,411	2.19	4.41
50p to 60p	**51.0p**	**3,362,034**	**0.39**	**0.39**	51.0p	3,362,034	1.39	1.39
Total including LTIP		**35,596,597**				33,231,814		

24, Share premium account

Group and Company	2010 £'000	2009 £'000
At 1 January	**110,043**	109,686
Premium on shares issued in connection with an intellectual property purchase	**180**	–
Premium on shares issued during the year under share option schemes	**11**	13
Premium on shares issued to settle an IP royalty liability	**167**	–
Premium on shares issued in subscription related to a StarGen™ development collaboration	**–**	150
Premium on shares issued in a share-settled bonus	**–**	158
Net (charge)/credit for costs associated with the issue of shares	**(14)**	36
At 31 December	**110,387**	110,043

25, Retained losses

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
At 1 January	**(108,113)**	(105,406)	**(71,500)**	(95,557)
(Loss)/profit for the year	**(10,290)**	(3,515)	**(31,674)**	24,057
Share based payments (note 23)	**542**	808	**–**	–
At 31 December	**(117,861)**	(108,113)	**(103,174)**	(71,500)

Neither the Company nor its subsidiary undertakings had reserves available for distribution at 31 December 2010 or 31 December 2009.

26, Other reserves

Group	Translation reserve £'000	Merger reserve £'000	Total £'000
At 1 January 2010	(676)	14,310	13,634
Exchange adjustments	(4)	–	(4)
At 31 December 2010	**(680)**	**14,310**	**13,630**
At 1 January 2009	(692)	14,310	13,618
Exchange adjustments	16	–	16
At 31 December 2009	**(676)**	**14,310**	**13,634**

The Group merger reserve at 31 December 2010 and 2009 comprised £711,000 arising from consolidation of Oxford BioMedica (UK) Limited using the merger method of accounting in 1996 and £13,599,000 from the application of merger relief to the purchase of Oxxon Therapeutics Limited in 2007.

Company	Merger reserve £'000	Share scheme reserve £'000
At 1 January 2010	13,599	3,329
Credit in relation to employee share schemes	–	542
At 31 December 2010	**13,599**	**3,871**
At 1 January 2009	13,599	2,521
Credit in relation to employee share schemes	–	808
At 31 December 2009	**13,599**	**3,329**

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 23). 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 £542,000 (2009: £808,000) (see note 13) and a corresponding credit to reserves.

27, Cash flows from operating activities

Reconciliation of loss before tax to net cash (used in)/generated from operations

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Continuing operations				
(Loss)/profit before tax	**(11,804)**	(5,094)	**(31,674)**	24,057
Adjustment for:				
Depreciation	**345**	311	**–**	–
Amortisation of intangible assets	**699**	–	**–**	–
Loss/(profit) on disposal of property, plant and equipment	**2**	(1)	**–**	–
Loss on disposal of intangible asset	**17**	78	**–**	–
Profit on disposal of fixed asset investment	**(36)**	–	**–**	–
Charge/(write-back) for impairment	**3,949**	–	**31,522**	(24,215)
Finance income	**(222)**	(669)	**–**	–
Finance expense	**15**	33	**–**	–
Charge in relation to employee share schemes	**542**	808	**–**	–
Changes in working capital:				
Decrease/(increase) in trade and other receivables	**529**	2,322	**(13)**	1
(Decrease)/increase in trade and other payables	**(4,059)**	(2,937)	**(10)**	21
(Decrease)/increase in deferred income	**(4,363)**	5,322	**–**	–
(Decrease)/increase in provisions	**(903)**	731	**–**	–
Net cash (used in)/generated from operations	**(15,289)**	904	**(175)**	(136)

28, 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 £296,000 (2009 £295,000) represents amounts payable by the Group to the scheme. Contributions of £24,000 (2009: £29,000), included in accruals, were payable to the scheme at the year end.

29, Operating lease commitments – minimum lease payments

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

Group	2010 £'000	2009 £'000
Not later than one year	**765**	1,177
Later than one year and not later than five years	**2,802**	2,887
Later than five years	**156**	781
Total lease commitments	**3,723**	4,845
Total future minimum sublease payments receivable	**749**	1,183

The Group leases equipment under non-cancellable operating lease agreements. The Group also leases its laboratories and offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The figures for property leases include a redundant building in San Diego, USA which has been sub-let. A provision of £124,000 (2009: £200,000) has been made for the expected rental shortfall under this lease (see note 18).

The Company had no operating lease commitments during the year (2009: none).

30, Contingent liabilities and capital commitments

In 2009, the licensor of a patent covering two of Oxford BioMedica's ocular gene therapy products challenged the Company's decision on the amount of royalty due to them in respect of income received by Oxford BioMedica from sanofi-aventis, seeking to increase a royalty payment of US$368,000 to US$3,315,000. Oxford BioMedica is confident that the right amount of royalty has been paid, and that there is no further liability. There were no other contingent liabilities at 31 December 2010 or at 31 December 2009.

The Group had commitments of £100,000 for capital expenditure for leasehold improvements, plant and equipment not provided in the financial statements at 31 December 2010 (2009: £77,000).

31, Events after the balance sheet date

On 10 January 2011 the Company issued 400,000,000 new ordinary shares of 1p each in a placing and open offer at 5p per share, raising £20.0 million before costs. Estimated costs of this share issue, including commission payable on completion, were £1,638,000. Costs of £777,000 that were incurred up to 31 December 2010 are classified as prepayments in the financial statement for the year ended 31 December 2010, and were applied to the share premium account in 2011.

On 25 February 2011 the Group purchased a freehold property in Oxford, UK comprising a manufacturing facility and associated offices and laboratories for a purchase price of £1.9 million. The facility was previously approved by the Medicines and Healthcare products Regulatory Agency (MHRA) to Good Manufacturing Practice (GMP) standards. Oxford BioMedica anticipates a minimum of 12 months to re-commission the facility which will include the first phase of staff recruitment towards the anticipated fully-operational level of about 35 staff.

32, Related party transactions

Identity of related parties

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

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 of 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	2010 £'000	2009 £'000
Purchases:		
Parent Company expenses paid by subsidiary	**(392)**	(100)
Transactions involving Parent Company shares:		
Proceeds of Parent Company share issues received by subsidiary	**197**	345
Subsidiary royalty liability settled by issue of Parent Company shares	**185**	–
Proceeds of subsidiary employee share sales received by parent	**(2)**	(3)
Cash management:		
Cash loaned by parent to subsidiary	**15**	17

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	2010 £'000	2009 £'000
Loan to subsidiary	**110,423**	110,420

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 £3,871,000 (2009: £3,329,000).

There were no transactions (2009: none) with Oxxon Therapeutics Limited or with the former joint venture ViroTech Limited.

Transactions with Directors and connected persons

On 1 July 2009, when Dr Alan Kingsman's position as Chairman became non-executive, he entered into a consultancy agreement with the Group. Fees of £75,000 were paid under this agreement in 2010 (2009: £37,500).

On 1 July 2008, when Dr Susan Kingsman retired from the Board, she entered into a consultancy agreement with the Group. Fees of £38,000 were paid under this agreement in 2010 (2009: £50,000).

There were no outstanding balances in respect of transactions with Directors and connected persons at 31 December 2010 (2009: none).

Technology and Product Glossary

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.

ProSavin®: Parkinson's disease
ProSavin® 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. ProSavin® 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.

RetinoStat®: "wet" age-related macular degeneration
RetinoStat® 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.

StarGen™: Stargardt diease
StarGen™ 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. StarGen™ 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.

UshStat®: Usher syndrome 1B
UshStat® 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. UshStat® 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.

EncorStat®: corneal graft rejection
EncorStat® 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. EncorStat® 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.

MoNuDin®: motor neuron disease
MoNuDin® 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. MoNuDin® 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.

Key:
Platform Technology
Product

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 foetal cells, suggesting that the process of immunological escape in pregnancy and cancer is based on similar mechanisms.

TroVax® (MVA-5T4): cancer
TroVax® 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.

Targeted Antibody Therapy: cancer
The 5T4-targeted antibody therapy is a humanised monoclonal antibody linked to the potent anti-cancer agent, calicheamicin. The product binds to the 5T4 antigen on the surface of cancerous cells. Once bound, the complex is internalised by the tumour cell, the calicheamicin is released from the antibody, and the free drug kills the cancerous cell.

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.

EndoAngio-GT: cancer
EndoAngio-GT is a gene therapy for the treatment of solid tumours. The product uses a viral vector to deliver the genes for endostatin and angiostatin, which inhibit tumour growth by blocking the formation of new blood vessels.

HI-8® PrimeBoost
Heterologous prime-boost immunotherapy involves priming the immune system to target an antigen using one vector and then boosting the response by administration of the same antigen using a different vector. In many cases this can elicit immune responses of greater magnitude and breadth than can be achieved by priming and boosting with the same vector. Oxford BioMedica's Hi-8® PrimeBoost technology can stimulate potentially potent and specific cellular immune responses against diseased cells, even those expressing very low levels of the antigen.

Hi-8® MEL: melanoma
Hi-8® MEL is a therapeutic vaccine for metastatic melanoma. The product uses two different vector systems, one based on plasmid DNA and the other based on modified vaccinia virus Ankara (MVA), to induce a melanoma-specific cellular immune response. Both vectors contain the Mel3 polyepitope string, which encodes seven defined peptides from five different melanoma-specific antigens.

GDEPT
Gene-directed enzyme prodrug therapy (GDEPT) is the use of genetic delivery to administer an enzyme into diseased cells that can activate a non-toxic prodrug into a toxic agent. Cyclophosphamide (CPA) is an anti-cancer prodrug that is activated in the liver by the naturally occurring enzyme P450 and then disperses via the circulation to the tumour target.

MetXia®: pancreatic cancer
MetXia® is a GDEPT strategy to deliver a P450 enzyme to cancerous cells, enabling cyclophosphamide (CPA) to be activated within the tumour. MetXia uses a highly-engineered retroviral delivery system to achieve efficient expression of a specific P450 enzyme within the cancerous cells. It can be administered locally to non-resectable pancreatic cancer prior to treatment with CPA.

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