Eyes on the future

Annual Report and Accounts 2011

OxfordBioMedica

Discover. Realise.

Oxford BioMedica in brief

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 core technology platforms are:

LentiVector® platform

Our proprietary gene delivery system, called the LentiVector® platform technology, was invented through pioneering work initially at Oxford University and then through in-house development. The LentiVector® platform is based on lentiviral-derived vectors which can deliver a significant amount of genetic information into cells safely and very efficiently. The LentiVector® platform technology utilises "stripped-down" versions of lentiviruses. Technology highlights include:

- Long-lasting delivery of genetic material into target cells
- No toxicity or adverse immune reaction
- Integration of genes into non-dividing cells (e.g. neurons in the brain, retinal cells in the eye)
- Large capacity for multiple therapeutic genes (e.g. three genes in ProSavin®)

Oxford BioMedica's pre-clinical and clinical studies suggest that a single administration of its LentiVector® platform products can provide long-term, sustained or permanent gene expression.

5T4 tumour antigen platform

The 5T4 antigen was discovered by scientists at Cancer Research UK, a founding shareholder of Oxford BioMedica in 1996, who granted us exclusive rights to its intellectual property relating to the 5T4 antigen and antibody. The 5T4 tumour antigen is a unique protein found on most common types of solid cancer including prostate, colorectal, ovarian, breast, renal and non-small cell lung cancer. It is potentially a valuable target for novel anti-cancer interventions given:

- Restricted expression in normal tissues
- High prevalence on the surface of both primary and metastatic cancerous cells

The market opportunity for the 5T4 platform technology is, therefore, significant.

Our mission

...is to build a top-tier profitable biopharmaceutical company founded on the successful development and commercialisation of novel gene-based medicines.

Strategy and review

Governance and financial statements

The novel treatments and medicines we are developing target high unmet needs, addressing chronic and inherited diseases. They have the potential to transform treatment prospects, thus improving the quality and duration of life for patients with debilitating and life-threatening diseases.

Reducing the social care burden
With the potential of a single administration providing long-term therapeutic benefit, our LentiVector® platform products could significantly reduce the social care burden associated with neuro-degenerative or ocular diseases.

We are well-positioned to maximise the potential of our proprietary technologies through in-house development, collaborations and licensing. In doing so, we aim to retain long-term value from the successful development and commercialisation of our innovative product candidates.

'Big Pharma' needs robust pipelines
The fundamentals of the pharmaceutical industry model are undergoing significant change which we believe represents an opportunity for innovators such as Oxford BioMedica.

Product Pipeline

Our progress to date

Platform	Product (partner/funding)
LentiVector® 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.	**ProSavin®** Gene-based treatment for Parkinson's disease which converts cells and replaces patient's lost source of dopamine.
	RetinoStat® (Sanofi) Gene-based treatment for neovascular "wet" age-related macular degeneration (AMD) which aims to preserve and improve the vision of patients.
	StarGen™ (Sanofi) Gene-based treatment for Stargardt disease, which delivers a corrected version of the ABCR gene to address vision loss.
	UshStat® (Sanofi) Gene-based treatment for the treatment of Usher syndrome type 1B. The disease leads to progressive retinitis pigmentosa combined with a congenital hearing defect.
	EncorStat® (Sanofi) 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'.
	Glaucoma-GT (Mayo Clinic, USA) Gene-based treatment for chronic glaucoma which aims to provide long-term control of intraocular pressure to minimise the risk of vision loss.
	MoNuDin® (UK Motor Neurone Disease Association) 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.
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.
	Anti-5T4 antibody (Pfizer) Anti-cancer agent calicheamicin binds to the 5T4 antigen on the surface of cancerous cells. The complex is then internalised by the tumour cell and the calicheamicin is released from the antibody, killing the cancerous cell.
PrimeBoost	**Hi-8® MEL**
GDEPT[1]	**MetXia®**
Anti Angiogenesis	**EndoAngio-GT**

1. Gene-directed enzyme prodrug therapy.
* Announced in April 2012.

Indication	Stage of development
Parkinson's disease	Phase I/II trial completed*
"Wet" age-related macular degeneration	Phase I trial ongoing
Stargardt disease	Phase I/IIa trial ongoing
Usher syndrome type 1B	Phase I/IIa trial ongoing
Corneal graft rejection	Phase I/II trial preparation
Chronic glaucoma	Pre-clinical
Motor neuron disease	Research
Prostate cancer	Phase II trial ongoing
Cancer	Pre-clinical
Melanoma	Phase IIa trial completed
Pancreatic cancer	Phase I/II trials completed
Cancer	Research

Chairman's Message

Operationally, 2011 was a successful year for Oxford BioMedica resulting in substantial growth across the Company's clinical portfolio, the strategic investment in proprietary manufacturing, multiple regulatory approvals and new industry collaborations. However, we are acutely aware that securing a commercial partner for ProSavin® has taken longer than anticipated. We have clear strategic priorities ahead and, with multiple initiatives ongoing, remain committed to securing a strong future for the Company.

Nick Rodgers
Chairman

Tough economic environment
The complexity of today's global economic environment has affected all industries, not just the pharmaceutical and biotechnology sector. Cautious investors are steering clear of equity markets and non-profitable, "binary-risk" biotechnology companies no longer dominate the UK healthcare & life sciences sector. However, the fundamentals of the pharmaceutical industry model are undergoing significant change which we believe represents an opportunity for innovators such as Oxford BioMedica.

Successful pharma-biotech alliances are essential
The pharmaceutical companies best equipped to deal with the challenges ahead are those with robust pipelines capable of offsetting the impact from expiring patents and cuts in R&D. Consolidation and alliances will continue to transform the market as companies adapt to changing conditions within the industry. Oxford BioMedica has innovative technology platforms, a diverse product portfolio and world-class industry collaborations with partners such as Sanofi and Pfizer. With one of the broadest patent estates in our chosen fields, we are well-positioned to leverage the value of our products and intellectual property through strategic partnerships.

Strong management team
Under the leadership of John Dawson, Chief Executive Officer, Oxford BioMedica has evolved from being a research-driven organisation into a more commercially-focused company. The management team has the breadth and depth of expertise necessary to manage the Company in today's environment including R&D, clinical development, regulatory, intellectual property management, manufacturing, business development, due diligence and finance. With development risk now spread across the broadest clinical portfolio to date, the management team has strategically focused on key therapeutic areas of interest such as neuroscience, ocular disease and oncology.

Board changes
In May 2011, Dr Alan Kingsman left the Board of Oxford BioMedica and I stepped up from Deputy Chairman to become Chairman. I would like to express my sincere thanks to Alan for his invaluable contribution to the Company. Dr Alex Lewis was also appointed Director of Corporate Activities and Strategy in May 2011 and, as a result, stepped down from the Board. Andrew Wood stepped down as Chief Financial Officer in February 2012 having made a substantial contribution to the Company since its IPO in 1996. We wish Andrew all the best for the future and welcome Tim Watts who has been appointed to the Board as Chief Financial Officer and Company Secretary.

Strategy commitment
Oxford BioMedica has clear strategic priorities ahead to secure corporate and commercial success. The Company's growth and success will not only come from commercial partnerships but also future corporate activity. The Board is continuously monitoring expenditure and, having recently reduced the Company's cost base, Oxford BioMedica has tight fiscal controls in place. As with all biotechnology companies, we continue to review our options in terms of how best to finance the Company to allow us to achieve our strategic aims.

In conclusion
The operational achievements in 2011 are a result of the sheer hard work and dedication of our staff, so I would like to thank everyone for their commitment over the past year. I would also like to thank our partners and shareholders for their long-term support, particularly given the volatile nature of the global biotechnology sector. We have challenges ahead; however with increasingly valuable assets I remain confident that the management team will continue to make progress towards a strong future.

Nick Rodgers
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.

Team expertise:
— Leadership and strategy
— Business development

02. Tim Watts
Chief Financial Officer
Tim Watts was appointed to the Board as Chief Financial Officer and Company Secretary in February 2012. He is a chartered accountant with over 30 years' experience in leading multi-national and entrepreneurial businesses. Prior to joining Oxford BioMedica, Mr Watts held senior finance positions at ICI, AstraZeneca and Archimedes Pharma. Mr Watts has a proven track record in the industry, including managing corporate transactions, M&A activity, fundraising and strategic implementation.

Team expertise:
— Financial management
— Strategic implementation

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.

Team expertise:
— Technical and regulatory acumen
— Alliance management

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.

Team expertise:
— In/out-licensing, collaborations and legal issues
— Intellectual property strategy and management

The Management Team at the Oxford Science Park.

Our strategy for success

Strategic objectives:

Manage 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.

Until we reach sustainable profitability we continue to strike a balance between growing the Company whilst also being careful with costs. During 2011 we reviewed the Company's business operations to implement a stronger emphasis on clinical development and commercialisation. Our aim is to ensure that Oxford BioMedica is an efficient, focused and resilient organisation. With multiple opportunities ahead, we remain confident in our ability to bring in future revenue and continue to run the business in order to deliver on our strategy.

Key achievements 2011

- £20 million fundraising completed on 10 January 2011
- 2011 review of business operations to implement stronger emphasis on clinical development and commercialisation
- Reduction in cost base

Focus 2012

- Continue to strike a balance between growing the Company whilst also being careful with costs
- Ongoing review of how best to finance the Company to allow us to achieve our strategic aims

Pursuing partners to help take programmes forward

With one of the broadest patent estates in our chosen fields, we are well-positioned to leverage the value of our products and intellectual property through strategic partnerships. We are actively pursuing multiple partnering initiatives with a primary focus on ProSavin® and TroVax®. 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.

As a biopharmaceutical company we continuously aim to enhance our assets to reinforce patent life, optimise cost of goods and increase the commercial opportunity at all levels of development. During 2011 we improved elements for ProSavin® and TroVax® such as clinical analyses, regulatory pathways, future trial design and manufacturing. We are actively pursuing multiple initiatives to secure further funding for our core programmes and continue to evaluate development strategies in light of our financial resources.

Key achievements 2011

- New LentiVector® platform collaboration with Mayo Clinic, USA for chronic glaucoma
- Broadened partnership with Pfizer to include *in vitro* diagnostic use of 5T4 antibodies
- Collaboration with ImaginAb to engineer a 5T4-based *in vivo* diagnostic imaging agent

Focus 2012

- Continue to seek to leverage the value of our intellectual property through strategic partnerships
- Actively pursuing multiple initiatives to secure further funding for our core programmes

Ensuring timely delivery of pipeline

There is a sense of urgency in what we do and timely delivery is a core component of Oxford BioMedica's strategy. 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.

Key achievements 2011

- Three new ocular Phase I/II clinical trials underway
- Further positive ProSavin® data announced throughout 2011
- Commissioning process of new manufacturing facility complete and on budget

Focus 2012

- Ongoing focus on delivering portfolio and operational progress

Seizing opportunity

Oxford BioMedica has evolved from being a research-driven organisation into a more commercially-focused company. The management team has the breadth and depth of expertise necessary to manage the Company in today's environment and enables us to respond quickly to market conditions and opportunities. In February 2011 we acquired a UK manufacturing facility for £1.9 million which represents a fraction of the cost of a new build. This investment in our specialist manufacturing processes will address one of the main hurdles associated with the rapid progression of products through Phase II, Phase III and to market and, importantly, also provides the opportunity for us to become the LentiVector® platform supplier of choice for current and future partners.

In addition to organic growth, we remain alert to external opportunities for strategic and well-conceived corporate activity as a means to accelerate profitability.

Key achievements 2011

- Acquisition of UK manufacturing facility in February 2011

Focus 2012

- Our growth and success will not only come from commercial partnerships but also future corporate activity

Chief Executive's Review

Following the £20 million fundraising at the start of 2011, we set ourselves multiple R&D and commercial milestones for the year. With three IND approvals from the US regulatory agencies within 12 months, our ocular portfolio is progressing extremely well and we have successfully commissioned our new manufacturing facility. Whilst ProSavin® has produced the most encouraging results to date, we are taking an appropriately prudent approach towards the next key stage of development. With further product optimisation, we will ensure the greatest chance of success in randomised studies. With careful consideration towards our financial resources, we continue to evaluate the most effective strategies to further advance our products towards commercialisation.

John Dawson
Chief Executive Officer

Portfolio progress
The initiation and development of three pioneering Phase I/II ocular gene therapy studies is not only a historic milestone for Oxford BioMedica, but is also of great significance to the field of ophthalmology – particularly in orphan indications such as Stargardt disease and Usher syndrome. ProSavin® continues to generate positive data in the current Phase I/II study in Parkinson's disease and further product optimisation provides significant potential to increase benefit for patients and reduce the development risk, thus enhancing the commercial opportunity. Whilst recruitment for our TroVax® Phase II study in prostate cancer is challenging given the new treatment landscape in the US, the support and enthusiasm from the oncology community is encouraging and we are pleased to be working with multiple academic groups on the future development of this important asset. Alongside our core programmes, the new collaborations with Mayo Clinic, ImaginAb and our strengthened alliance with Pfizer further validate our innovative technology platforms.

Proprietary manufacturing
The new manufacturing facility 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. The successful commissioning of the manufacturing facility is a significant achievement for Oxford BioMedica and the hard work continues in preparation to secure our MHRA license to support clinical manufacturing and supply.

Partnering initiative
Building the value of novel products takes time. As a biopharmaceutical company we continuously aim to enhance our assets to reinforce patent protection, optimise cost of goods and increase the commercial opportunity at all levels of development. Whilst we cannot influence data, during 2011 we improved elements within our control for ProSavin® and TroVax® such as clinical analyses, regulatory pathways, future trial design and manufacturing. We are actively pursuing multiple initiatives to secure further funding for our core programmes and continue to evaluate development strategies in light of our financial resources.

Financial management
Our cash position at 31 December 2011 was £14.3 million and we have sufficient financial resources to fund the business until Q1 2013. This does not take into account potential milestone payments should Sanofi elect to exercise its options for the ocular products during 2012, nor does it factor in potential revenue from partnering deals. However, until we reach sustainable profitability we continue to strike a balance between growing the Company whilst also being careful with costs. During 2011 we reviewed the Company's business operations to implement a stronger emphasis on clinical development and commercialisation. Our aim is to ensure that Oxford BioMedica is an efficient, focused and resilient organisation. As a result, management has reduced the Company's cost base, implemented a reduction in headcount of 16 staff and closed the US office in San Diego, California.

Outlook
As I have said before, I believe Oxford BioMedica has strong fundamentals, an exciting development pipeline and a commercially-focused management team. Whilst securing further funding for ProSavin® has taken longer than expected, our achievements during 2011 demonstrate our ability to deliver operational progress. With multiple opportunities ahead, we remain confident in our ability to bring in future revenue and continue to run the business in order to deliver on our strategy.

John Dawson
Chief Executive Officer

Looking Ahead

Our vision has always been clear. To find new ways and weapons with which we can fight debilitating and life-threatening diseases. It's no small challenge.

Our hard work, determination and commitment drives each gradual step as we progress towards our goals.

ProSavin® is one of the more advanced of the prospective gene therapy products in development for Parkinson's and is unique in its aim to achieve dopamine replacement. The results which ProSavin® has generated to date demonstrate its potential to make a huge difference to those of us living with this terrible condition. For 40 years, people with Parkinson's have struggled with the complexities and side-effects of oral L-DOPA. What we have seen with ProSavin® indicates that, at last, there might be an effective and enduring alternative means of re-asserting control over the movement of your own body. People with Parkinson's everywhere should take heart.

Tom Isaacs
President and Co-Founder of The Cure Parkinson's Trust and a person with Parkinson's disease

Moving forward, backed by experts

We are privileged to be working alongside key opinion leaders, clinicians, academic institutions, charitable organisations and industry specialists within our chosen fields of development.

Examples

Parkinson's disease
Results from the ongoing ProSavin® Phase I/II study are regularly reviewed by an independent Data Monitoring Committee (DMC); a multidisciplinary panel with expertise in Parkinson's disease and virology. In December 2011 Oxford BioMedica reported that, in addition to ProSavin®'s long-term safety profile, the DMC confirmed that the highest 5x dose shows most promising signs of efficacy to date.

We are pleased that ProSavin® and the enhanced administration technique continue to demonstrate a long-term safety profile. The signals of improvements in motor function with decreased oral dopaminergic therapy observed to date are encouraging, particularly at the 5x dose. Functional imaging data also suggest possible dopamine provision attributable to ProSavin® at this dose. We would support investigation of a further dose escalation for this novel product as part of a Phase II development programme.

Professor Olivier Rascol
Chair of the independent DMC

Ocular diseases
Our ocular programmes are monitored by an independent Data Safety Monitoring Board (DSMB), comprising a panel of specialists in the fields of ophthalmology, virology and vectorology. In January 2012, Oxford BioMedica received a positive interim review of the ongoing RetinoStat® and StarGen™ ocular programmes by the DSMB.

We work closely with the clinicians and Principal Investigators who lead our ocular clinical trials at:

— The Wilmer Eye Institute at Johns Hopkins, Baltimore (USA)

— The Oregon Health & Science University's Casey Eye Institute, Portland, Oregon

— The Centre Hospitalier National D'Opthalmologie des Quinze-Vingts, Paris

We have a strong relationship with the Foundation Fighting Blindness, a US non-profit organisation that provided early funding for our pre-clinical ocular programme. Please see pages 30-31 for a detailed summary of this alliance.

In addition, we are delighted to be collaborating with Mayo Clinic, Rochester (USA) to develop a novel gene therapy for the treatment of chronic glaucoma.

Cancer
We continue to receive interest from oncologists and clinicians regarding the future development of TroVax®, our cancer vaccine, in several cancer indications which have a clear unmet medical need and a lack of effective treatments. We are currently working with a number of UK collaborators and expect multiple sponsored Phase II studies to be initiated in 2012 by:

— Cardiff University (targeting colorectal cancer)

— Cardiff University and Velindre Cancer Centre (targeting mesothelioma)

— UK National Cancer Research Network (targeting ovarian cancer)

Being part of the collective team involved in the pre-clinical development and eventual initiation of three Phase I/II ocular gene therapy studies has been a fantastic experience. These are the first US studies to directly administer lentiviral-derived vector treatments to patients – it is great to be at the forefront of such pioneering clinical development.

Margaret Esapa
Senior Research Scientist and Co-ordinator

Seeing things through

Our regulatory success to date demonstrates our ability to bring pioneering therapies to patients.

With no gene therapy product approved in the EU or US, we work very closely with the regulatory agencies in order to define the development pathways for our novel gene therapies.

Our regulatory expertise
In December 2007, we received regulatory approval from the French regulatory agency, AFSSAPS, to start the first clinical trial using the LentiVector® platform; the ProSavin® Phase I/II trial in Parkinson's disease. Since then, we have received regulatory approval from the US Food and Drug Administration (FDA) for three innovative ocular gene therapy clinical trials.

Ocular case study
In November 2010, the FDA approved Oxford BioMedica's Investigational New Drug (IND) application for RetinoStat®, resulting in the initiation of the first US clinical study using the Company's LentiVector® platform technology in January 2011.
This was a major event for Oxford BioMedica and would also support subsequent LentiVector® platform regulatory submissions. Accordingly, the FDA approved the StarGen™ and UshStat® IND applications in March and October 2011, respectively. Receiving three IND approvals from the US regulatory agencies within 12 months represents an exceptional achievement for the Company's R&D and regulatory teams and demonstrates our ability to bring novel products into clinical development.

Regulatory success

Product	Indication	Agency	Date of approval	Clinical trial sites
ProSavin®	Parkinson's disease	AFSSAPS	Dec-07 (CTA)	France
		MHRA	Oct-10 (UK site)	UK
RetinoStat®	"Wet" age-related macular degeneration	FDA	Nov-10 (IND)	US
StarGen™	Stargardt disease	FDA	Mar-11 (IND)	US
		AFSSAPS	Jul-11 (CTA)	France
UshStat®	Usher syndrome type 1B	FDA	Oct-11 (IND)	US

Glossary:
- AFSSAPS: Agence française de sécurité sanitaire des produits de santé.
- CTA: Clinical trial application.
- FDA: US Food and Drug Administration.
- IND: Investigational New Drug.
- MHRA: UK Medicines and Healthcare products Regulatory Agency.

Gene therapy is a specialised area of drug development and the LentiVector® platform technology is based on a proprietary manufacturing process developed from scratch by Oxford BioMedica. With a new manufacturing team in place, we can combine in-house expertise with significant operational and technical knowledge garnered from our colleagues' previous experiences within the Big Pharma and biopharmaceutical industries. This integrated team has been instrumental in the commissioning process of the manufacturing facility throughout 2011 and continues to support the ongoing core LentiVector® platform development programmes.

Satpal Griffiths
Quality Control Manager (Senior Microbiologist)

Recognising value in opportunity

We have the breadth and depth of knowledge necessary to manage the Company in today's environment which enables us to respond quickly to market conditions and opportunities.

Case study

Successful acquisition of UK manufacturing facility in Cowley, Oxford

In February 2011, we acquired a UK manufacturing facility for £1.9 million which represents a fraction of the cost of a new build. The facility totals approximately 16,000 square feet, which includes c. 4,400 square feet in cleanrooms, and is situated less than three miles from our head office. An integrated team comprising manufacturing, development, quality control, quality assurance, engineering and logistics expertise have been engaged in commissioning the facility throughout 2011.

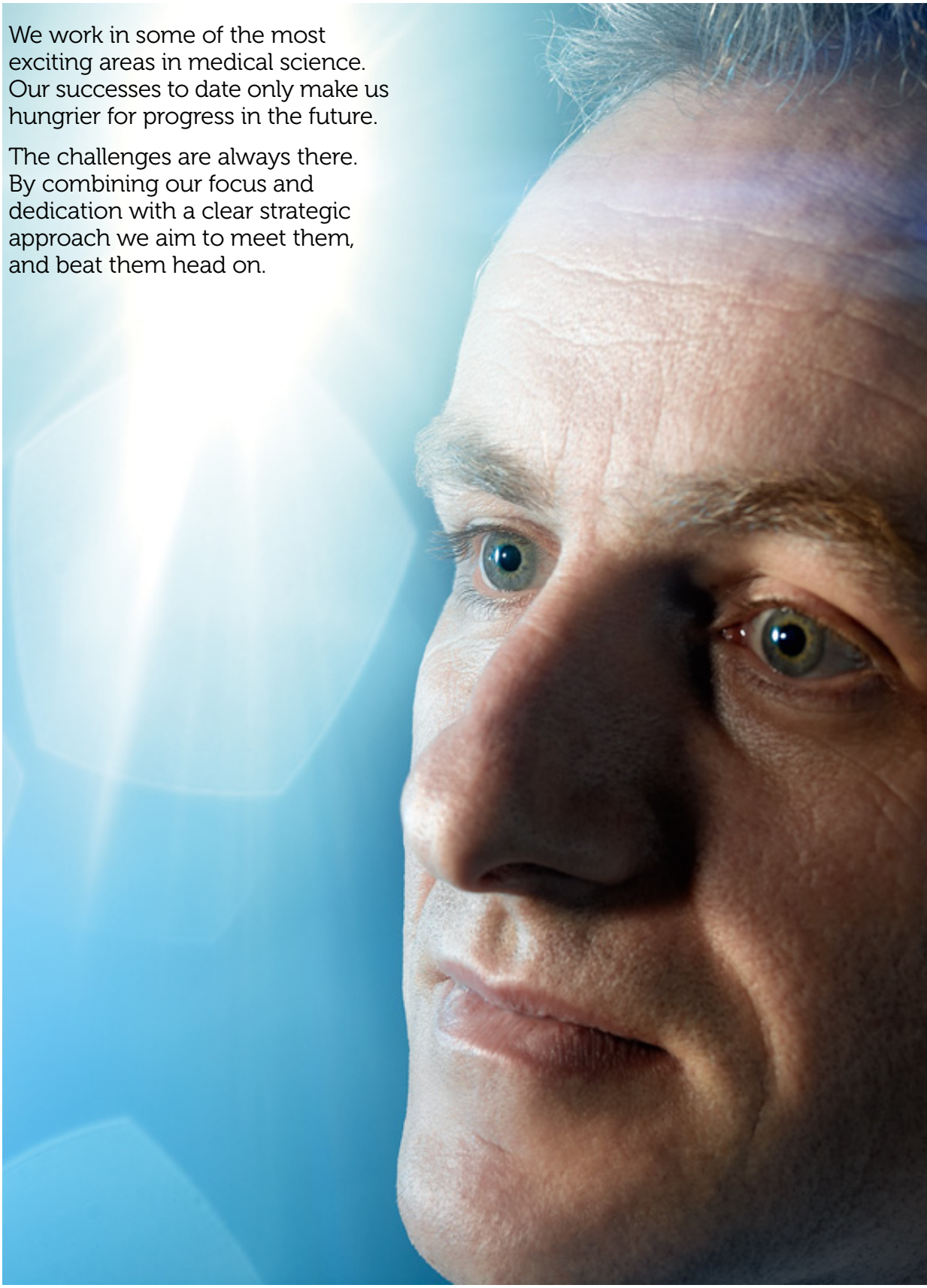
Oxford BioMedica's in-house expertise includes:

- R&D
- Clinical development
- Regulatory
- Intellectual property management
- Manufacturing
- Business development
- Due diligence
- Finance

The acquisition of a manufacturing facility will ensure the rapid progression of the Company's core LentiVector® platform products through development and to market.

We work in some of the most exciting areas in medical science. Our successes to date only make us hungrier for progress in the future.

The challenges are always there. By combining our focus and dedication with a clear strategic approach we aim to meet them, and beat them head on.



Our strong operational progress during 2011 has resulted in a diversified portfolio with five core clinical programmes and the successful commissioning of our proprietary manufacturing facility.

Securing three IND approvals from the FDA within 12 months for our novel ocular gene therapies partnered with Sanofi was an exceptional achievement, and we are also pleased to have secured new industry collaborations.

With tough economic conditions impacting companies and influencing sector dynamics, we continue to monitor our expenditure and remain committed to maximising the opportunities ahead.

Operational Review
LentiVector® Platform

The 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, Oxford BioMedica is also developing four products for the treatment of ocular diseases. These five core LentiVector® platform candidates benefit from a common manufacturing platform and regulatory procedures. The Company is also working with leading scientific teams to address other unmet needs, such as the treatment of glaucoma and motor neuron disease.

ProSavin®

Gene-based therapy for Parkinson's disease (PD)

ProSavin® is being evaluated in a Phase I/II trial to assess the safety, efficacy and dose evaluation in patients with mid-stage Parkinson's disease who are experiencing reduced benefit on L-DOPA "equivalent" therapy. Three ascending dose levels (1x, 2x and 5x) have been evaluated in 15 patients to date. Six patients received the 2x dose, three of which were treated using an enhanced administration procedure which facilitates higher dosing and reduces surgical delivery time of the 2x dose by approximately 50%. The highest (5x) dose level of ProSavin®, which is the scaled equivalent to the optimal dose in pre-clinical studies, is being assessed in the most recent six-patient cohort. Patients have been treated at two centres of excellence for neurosurgery; the Henri Mondor Hospital in Paris, France with Professor Stéphane Palfi as Principal Investigator and Coordinating Investigator, and at Addenbrookes Hospital in Cambridge, UK with Dr Roger Barker as Principal Investigator.

Highlights 2011

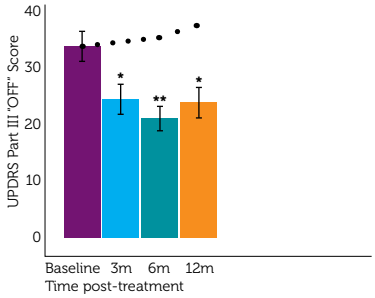
- Encouraging data from ProSavin® Phase I/II study in Parkinson's disease
- DMC confirmed that highest (5x) dose shows most promising efficacy to date
- Further product optimisation could provide up to 10-fold increase in dopamine production

Positive data presented at largest scientific conference for genetic & cellular therapeutics

In May 2011, data from the Phase I/II study were presented at the American Society of Gene & Cell Therapy (ASGCT) 14th Annual Meeting held in Seattle, USA by Professor Stéphane Palfi. A six-month assessment of the third patient cohort, treated with a 2x dose of ProSavin® using an enhanced administration method, revealed the highest efficacy results observed to date with 43% average motor function improvement and a maximum of 61% in one patient. In addition, patient diary measures such as increased functional "ON" time (when PD symptoms are not present), reduced "OFF" time (after withdrawal of PD medication) and improved quality of life also support the positive impact on patients' lives; further underlining the potential for ProSavin® to address the motor symptoms of PD.

Encouraging signs of clinical benefit for Parkinson's patients

In August 2011, Oxford BioMedica reported a positive interim review of the fourth patient cohort, treated with the highest (5x) dose of ProSavin®, by the study's independent Data Monitoring Committee (DMC). At the three-month time point, the highest average motor function improvement of 29% was observed, with a maximum of 49% improvement in one patient. Patients also reduced their average daily dose of L-DOPA "equivalent" therapy, whereas typically they would require an increase in dose given the nature of this inexorably degenerative disease. Importantly, the DMC acknowledged that the improvements in motor function with decreased oral dopaminergic therapy observed to date are encouraging and clinically relevant. If replicated in randomised studies, such levels of improvement would make a substantial difference to a patient's life.



• • • *Expected disease progression without ProSavin®*

ProSavin® 12-month efficacy analysis (cohorts 1-3)[1]
Motor function as measured by UPDRS Part III "OFF" score.[2]

- The first three cohorts (n=9) have all reached a 12-month assessment.
- Motor function improvements are stable in all three cohorts.
- Typical disease progression with L-DOPA is 3-4 UPDRS points per year.[3]
- Significant improvements in motor function are sustained for at least 12 months following treatment with ProSavin®

1. Data are combined from all nine patients in cohorts 1, 2 and 3 who have been on study for at least 12 months (= P <0.05; ** = P<0.01).*
2. Unified Parkinson's Disease Rating Scale (UPDRS) in patients' "OFF" state (i.e. after withdrawal of PD medication).
3. Source: Olanow et al (2005) Ann Neurol (3) 403-14.

Significant long-term improvements vs. progressively degenerating disease

As part of an interim review in December 2011, Oxford BioMedica and its clinical experts performed an efficacy analysis across all 15 patients treated at the latest available assessment time points and concluded:

- Interim data show that ProSavin® mediates improvement in motor function in all cohorts at six-month primary efficacy endpoint
- Population analysis of first three cohorts (12 month data for n=9) shows ProSavin® significantly improves motor function relative to baseline in progressively degenerating disease:
  - Improvement remains statistically significant up to 12 months
  - Improvement over baseline maintained up to 24 months (first two cohorts, n=6)
- ProSavin® demonstrates efficacy across range of disease severity – important in a disease such as PD where patient population is heterogeneous
- Average reduction in L-DOPA "equivalent" therapy in all cohorts

In addition to the improvements observed across multiple endpoints, functional imaging data using Positron Emission Tomography (PET) scans to produce a detailed, three-dimensional picture inside the body also suggest dopamine (DA) provision attributable to ProSavin® at the highest (5x) dose.

Independent experts confirm 5x dose shows most promising efficacy to date

In December 2011, Oxford BioMedica also announced a positive review of all four patient cohorts by the study's independent DMC; a multidisciplinary panel with expertise in Parkinson's disease and virology. In addition to ProSavin's long-term safety profile, now up to 36 months post-treatment (1x dose), the DMC confirmed that the fourth patient cohort (5x dose) shows most promising signs of efficacy to date (see table below).

Support from DMC to investigate enhanced construct in Phase II programme

Oxford BioMedica and its clinical experts believe that the interim ProSavin® data set continues to support planning for a sham-controlled Phase II study. During 2011, the Company identified and developed an enhanced product construct based on ProSavin's® dopaminergic enzymes. The new construct can potentially provide up to a 10-fold increase in dopamine production capacity, allowing further dose escalation without impacting volume or rate of administration. In addition, the new construct offers extended patent protection and a relative reduction in cost of goods, thus increasing the commercial opportunity for ProSavin®. With the support of the study's independent DMC, Oxford BioMedica is evaluating a strategy to move the new construct into development as part of a Phase II programme.

5x

The DMC confirmed that the fourth ProSavin® patient cohort (5x dose) shows most promising signs of efficacy to date.

Cohort	1 1x dose	2 2x dose	3 2x dose	**4** **5x dose**
Improvement in UPDRS Part III "OFF" score[1]	✓	✓	✓	✓
Average reduction in L-DOPA "equivalent" therapy	×	✓	✓	✓
Improvement in UPDRS Part III "ON" score[2]	×	×	✓	✓
Reduction in PET[3] signal (i.e. increase in DA[4] provision)	×	×	×	✓

1. Unified Parkinson's Disease Rating Scale (UPDRS) in patients' "OFF" state (i.e. after withdrawal of PD medication).
2. Unified Parkinson's Disease Rating Scale (UPDRS) in patients' "ON" state (i.e. with medication and when PD symptoms are not present).
3. Positron Emission Tomography scan used to produce a detailed, three-dimensional picture inside the body.
4. DA = dopamine.

Operational Review
LentiVector® Platform

Oxford BioMedica is focused on non-clinical bridging studies and preparing the regulatory pathway for future US and EU regulatory applications.

Partnering initiative

As previously announced, partnering discussions for ProSavin® have been influenced by: a potential partner's view of 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 European Medicines Agency's validation of the planned route to registration and the acquisition of a UK manufacturing facility, Oxford BioMedica has successfully addressed two of these key issues.

In terms of the risk associated with ProSavin® as an early stage gene therapy for PD, moving into a randomised Phase II study will add significant value and further de-risk the product. Given the encouraging clinical results and positive analyses to date, Oxford BioMedica had anticipated that data from the highest (5x) dose cohort could crystallise a partnering deal in late 2011 or early 2012. However, whilst independent experts have confirmed that the 5x dose of ProSavin® has indeed shown the most promising signs of efficacy to date, interested parties are keen for Oxford BioMedica to investigate the enhanced product construct as part of a Phase II programme to ensure the greatest chance of success in randomised studies. As a result, securing further funding via a development partnership for this core programme has taken longer than expected. With further product optimisation ongoing, a randomised Phase II study is unlikely to be initiated in 2012. Oxford BioMedica is focused on non-clinical bridging studies and preparing the regulatory pathway for future US and EU regulatory applications.

Next milestones

The primary efficacy end-point of the current Phase I/II study is the six-month UPDRS assessment, allowing time for improvements in patients' condition to stabilise including appropriate adjustments in background oral dopaminergic therapy. Results from all six patients in the fourth (5x dose) cohort are expected in H1 2012. In the meantime, the Company holds regular updates with interested parties and is evaluating the most effective strategy to advance ProSavin® into its next stage of development.

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.

$2.8bn

None of the current treatments for Parkinson's disease provide long-term relief from symptoms, yet, by 2019, sales of these treatments could exceed US$2.8 billion.

There is considerable opportunity to expand the Sanofi collaboration with the addition of other indications and related product candidates.

Ocular Portfolio

Gene-based therapies

In collaboration with Sanofi, 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 type 1B; and EncorStat® for corneal graft rejection. This partnership is an endorsement of the Company's LentiVector® platform and, furthermore, Sanofi's investment in the platform technology benefits Oxford BioMedica's development programmes in other therapeutic areas. Oxford BioMedica is also privileged to be working with Mayo Clinic, Rochester (USA) to develop a novel gene therapy for the treatment of chronic glaucoma.

Highlights 2011

- Ocular gene therapy programmes partnered with Sanofi progressing well
- Two new Phase I/II trials underway: RetinoStat® (Phase I) and StarGen™ (Phase I/IIa)
- Third successive IND approval from FDA received for UshStat® Phase I/IIa study

Landmark partnership with Sanofi

The ocular collaboration with Sanofi, 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. 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 opportunity 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.

Three ocular IND applications approved by FDA within 12 months

Oxford BioMedica works very closely with the regulatory agencies in order to define the development pathways for its novel gene therapies. In November 2010, the US Food and Drug Administration (FDA) approved Oxford BioMedica's Investigational New Drug (IND) application for RetinoStat®, resulting in the initiation of the first US clinical study using the Company's LentiVector® platform technology in January 2011. This was a major event for Oxford BioMedica and would also support subsequent LentiVector® platform regulatory submissions. Accordingly, the FDA approved the StarGen™ and UshStat® IND applications in March and October 2011, respectively.

Receiving three IND approvals from the US regulatory agencies within 12 months represents an exceptional achievement for the Company's R&D and regulatory teams. Oxford BioMedica also held a pre-IND meeting with the FDA in September 2011 for EncorStat® to discuss the proposed development strategy in preparation for a Phase I/II trial. Together with Sanofi, the Company continues to evaluate the optimal route for commercial development of this novel product.

Lead RetinoStat® Phase I trial in "wet" AMD on track

Six patients have been treated with RetinoStat® in the ongoing US Phase I study in neovascular "wet" age-related macular degeneration (AMD). Three patients received the first dose level, three received the second dose level and the third patient cohort (dose level 3) is underway. The open label, dose escalation Phase I study will enrol 18 patients with "wet" AMD at the Wilmer Eye Institute at Johns Hopkins, Baltimore (USA). Led by Professor Peter Campochiaro, the study will evaluate three dose levels and assess safety and aspects of ocular physiology. Oxford BioMedica is on track to announce first results in H1 2012.

4.7m

The ocular diseases we are targeting in our Sanofi collaboration affect 4.7 million people worldwide.

LentiVector® Technology:
It is anticipated that a single application of Oxford BioMedica's gene-based products could provide long-term or potentially permanent benefits for patients.

25—30m

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.

First gene therapy clinical trials in Stargardt disease and Usher syndrome underway
There are currently no approved treatments for Stargardt disease and Usher syndrome type 1B and other potential strategies do not target the root cause of the disease. As such, StarGen™ and UshStat® have received both European and US Orphan Drug Designation which brings development, regulatory and commercial benefits.

In June 2011, the first patient in the StarGen™ Phase I/IIa study in Stargardt disease was treated in the US. In July 2011, the French regulatory agency (AFSSAPS) approved the opening of a second clinical site in France. In the US, the study is led by Professor David Wilson at the Oregon Health and Science University, Portland, Oregon. In France, Professor Jose-Alain Sahel leads the study at the Centre Hospitalier National D'Opthalmologie des Quinze-Vingts, Paris. Four patients have been treated to date at the first dose level and the second cohort using dose level 1 in earlier-stage patients is underway. The open label, dose escalation Phase I/IIa study will enrol up to 28 patients and will evaluate three dose levels for safety, tolerability and aspects of biological activity. First results are expected in H2 2012.

In February 2012, the UshStat® Phase I/IIa study in Usher syndrome type 1B commenced in the US at the Oregon Health & Science University's Casey Eye Institute. Led by Professor Richard Weleber as Principal Investigator, the open label, dose escalation Phase I/IIa study will enrol up to 18 patients and will evaluate three dose levels for safety, tolerability and aspects of biological activity. Initial results are expected in H2 2012.

Positive reviews from independent Data Safety Monitoring Board
In June 2011, Oxford BioMedica reported a positive interim review of the first RetinoStat® patient cohort by the study's independent Data Safety Monitoring Board (DSMB); an independent panel of specialists in the fields of ophthalmology, virology and vectorology. RetinoStat® was safe and well-tolerated at one month following treatment with no signs of inflammation in the eye.

In January 2012, the Company received its second positive DSMB review of the RetinoStat® and StarGen™ programmes. Both products demonstrated a favourable safety profile with no serious adverse events related to RetinoStat®, StarGen™ or the methods of administration. Importantly, RetinoStat® and StarGen™ demonstrate continued safety six months and one month post-treatment, respectively. The DSMB gave its support to proceed to the final ascending dose patient cohort for RetinoStat® (dose level 3) and the second StarGen™ patient cohort, both of which are underway.

Market opportunity
AMD is a major cause of blindness affecting an estimated 25 million 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). The industry standard treatment for "wet" AMD and other related ocular conditions had global sales in excess of US$3.7 billion in 2011 (source: Novartis/Roche). On the basis of pre-clinical data, it is anticipated that RetinoStat® may require only a single administration. If so, this 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 type 1B and corneal graft rejection. StarGen™, UshStat® and EncorStat® have a common technology platform, manufacturing technique and safety in toxicology studies 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.

Since the start of the chronic glaucoma collaboration with Mayo Clinic, we have successfully initiated the first pre-clinical study which aims to demonstrate gene transfer using Oxford BioMedica's LentiVector® platform technology.

Glaucoma-GT

New collaboration with Mayo Clinic for chronic glaucoma

In October 2011, Oxford BioMedica entered into a research and development collaboration with Mayo Clinic, Rochester (USA) to develop a novel gene therapy for the treatment of chronic glaucoma. Under the terms of the agreement, Mayo Clinic and Oxford BioMedica will undertake pre-clinical studies to establish the feasibility of treating glaucoma using Oxford BioMedica's proprietary LentiVector® gene delivery technology expressing a COX-2 gene and a PGF-2α receptor gene to reduce intraocular pressure.

Highlights 2011

— LentiVector® platform collaboration with Mayo Clinic, USA for chronic glaucoma

Since the start of the collaboration, the teams have successfully initiated the first pre-clinical study which aims to demonstrate gene transfer using Oxford BioMedica's LentiVector® platform technology to target ocular tissues following transcorneal administration. Preliminary results from this study are encouraging and indicate effective and robust gene transfer into the target ocular tissues. A second pre-clinical study is expected to begin in Q2 2012 to evaluate the lowering of intraocular pressure following administration of the collaboration's Glaucoma-GT.

Market opportunity

Glaucoma is a group of eye diseases characterised by vision loss due to damage of the optic nerve affecting over 60 million people worldwide (source: Mayo Clinic). Glaucoma is the biggest ophthalmic market with global sales of over US$5 billion in 2008 treating seven million cases in the seven major markets. The most common form of glaucoma is classed as primary open-angle glaucoma (also known as chronic glaucoma or chronic open-angle glaucoma) which accounts for 75-95% of all glaucoma patients (source: Datamonitor 2010).

60m

Glaucoma is a group of eye diseases characterised by vision loss due to damage of the optic nerve affecting over 60 million people worldwide.

MoNuDin® has shown promising results in early pre-clinical studies and Oxford BioMedica is optimising the product for clinical trials.

+6,000

High unmet need:
In the US, there are an estimated 30,000 patients with ALS and nearly 6,000 new cases are diagnosed annually.

MoNuDin®

Motor neuron disease

The pre-clinical development of MoNuDin® is supported by the UK Motor Neurone Disease Association (MNDA). 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 non-profit research groups and organisations to explore novel therapeutic approaches to treat Amyotrophic Lateral Sclerosis (ALS), the most prevalent type of motor neuron disease.

Working together with leading academic organisations

Oxford BioMedica's ongoing collaboration with VIB/University of Leuven, funded by a grant from the MNDA, is focused on the pre-clinical development of MoNuDin® for the treatment of ALS. The collaboration builds on previous work funded by MNDA and will utilise Oxford BioMedica's LentiVector® platform technology to compare the therapeutic potential of two forms of vascular endothelial growth factor (VEGF). Following successful gene expression studies in 2011 to evaluate the optimal delivery route for this approach, Oxford BioMedica has demonstrated VEGF expression using its LentiVector® platform technology in cells and also *in vivo* using two different forms of the VEGF therapeutic gene. Further pre-clinical work to evaluate the efficacy of these VEGF forms is expected to start in Q2 2012.

During 2011, in collaboration with the University of Bristol, Oxford BioMedica also investigated the effects of MoNuDin® in a pre-clinical model of ALS using a new route of delivery for administration directly into the cerebrospinal fluid bathing the spinal cord. The results of this study have demonstrated proof-of-concept for this intracerebroventricular delivery route.

One of the major hurdles to treating motor neurone disease is ensuring that therapeutic agents are delivered to the relevant site of action in the brain and spinal cord; therefore both collaborations continue to support Oxford BioMedica's planning for the future clinical development of MoNuDin®.

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 benefit is a modest increase in survival time. If MoNuDin® proves to be an effective neuro-protective treatment that can slow or arrest injury to patients' motor neurons, it would have compelling competitive advantages.

The investment in the Company's specialist manufacturing processes will address one of the main hurdles associated with the rapid progression of products through Phase II, Phase III and to market.

LentiVector® Platform Manufacturing

Historically, all of Oxford BioMedica's manufacturing to Good Manufacturing Practice (GMP) standards has been outsourced to a contract manufacturing organisation. However, given the pivotal role of manufacturing in biological drug development and the planned growth of the Company's clinical LentiVector® platform portfolio during 2011, Oxford BioMedica conducted a strategic review in 2010 to maximise control and minimise risks associated with manufacturing.

Highlights 2011

- Successful acquisition of specialist manufacturing facility to support core programmes
- Commissioning process complete and on budget
- Preparation for MHRA license on track to enable GMP manufacturing for clinical supply

Successful acquisition of UK manufacturing facility in Cowley, Oxford

In February 2011, Oxford BioMedica acquired a UK manufacturing facility for £1.9 million which represents a fraction of the cost of a new build. The facility totals approximately 16,000 square feet, which includes c. 4,400 square feet in cleanrooms, and is situated less than three miles from the Company's head office. This investment in the Company's specialist manufacturing processes will address one of the main hurdles associated with the rapid progression of 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.

Commissioning process complete

Oxford BioMedica appointed James Christie, a senior biopharmaceutical executive with over 30 years of experience in the industry, as Head of Manufacturing in February 2011. Led by James, an integrated team comprising manufacturing, development, quality control, quality assurance, engineering and logistics expertise have been engaged in commissioning the facility throughout 2011. In line with expectations and on budget, the manufacturing facility is now fully-commissioned and produced its first pilot run at the end of 2011.

New MSAT team in operation

The Company's Manufacturing Sciences and Technology (MSAT) team is now in place. The MSAT team covers all aspects of biological and fill/finish manufacturing by bringing together core expertise in process development, process improvement and optimisation, technology transfer and process monitoring and troubleshooting. With MSAT, Manufacturing & Supply, Quality Assurance and Quality Control, Oxford BioMedica has the necessary capabilities and core competencies to develop and support current and future production activities.

Next steps

Oxford BioMedica is currently manufacturing product batches in preparation for obtaining a license from the UK Medicines and Healthcare products Regulatory Agency (MHRA) to enable GMP manufacturing for clinical supply. Subject to receiving MHRA approval, progress remains on track for the manufacturing facility to be fully-operational in H1 2012. Oxford BioMedica also plans to work towards a recognised environmental programme.

16,000

The manufacturing facility totals approximately 16,000 square feet, which includes c. 4,400 square feet in cleanrooms, and is situated less than three miles from the Company's head office.

Operational Review
5T4 Tumour Antigen Platform

The 5T4 Tumour Antigen Platform: Oxford BioMedica's proprietary 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 partnership with Pfizer, pre-clinical evaluation of Oxford BioMedica's 5T4-targeted antibody is ongoing to optimise the product for clinical development. Pfizer also has non-exclusive rights for the *in vitro* diagnostic use of 5T4 antibodies. The Company is also collaborating with ImaginAb to engineer an *in vivo* diagnostic imaging agent using an antibody targeting 5T4 for positron emission tomography (PET) cancer imaging.

TroVax® (MVA-5T4)

Therapeutic cancer vaccine TroVax® is a late-stage clinical asset that has completed 10 clinical trials in colorectal, renal and prostate cancer. It is currently being evaluated in a randomised, open-label Phase II study in patients with metastatic hormone refractory prostate cancer (HRPC). Oxford BioMedica also continues to receive interest from oncologists and clinicians regarding the future development of TroVax® in several cancer indications which have a clear unmet medical need and a lack of effective treatments. A number of sponsored Phase II clinical studies are expected to commence during 2012.

Highlights 2011

- Further TroVax® Phase III analyses published in Cancer Immunology, Immunotherapy
- Biomarker can potentially target a more responsive patient population
- Enthusiasm from the oncology community for multiple Phase II sponsored studies

Biomarker potentially targets a more responsive patient population

In March 2011, analyses of the TroVax® Renal Immunotherapy Survival Trial ("TRIST") Phase III study were published in *Cancer Immunology, Immunotherapy;* the official journal of the Association for Cancer Immunotherapy. Oxford BioMedica has identified an algorithm biomarker (the "Immune Response Surrogate") for predicting the quantitative 5T4 antibody response induced by TroVax® in order to identify those patients who are most likely to mount a strong 5T4 antibody response subsequent to TroVax® administration. Importantly, the biomarker was also relevant when applied to an independent dataset derived from the nine historic Phase I and II studies in patients with renal, colorectal and prostate cancer, which suggests that the biomarker could potentially be applied to multiple cancer types. The biomarker will be used in all future TroVax® clinical trials in order to target a more responsive patient population, including the ongoing HRPC Phase II trial.

Phase II study in hormone refractory prostate cancer (HRPC)

The ongoing randomised, open-label Phase II study in patients with metastatic HRPC is designed to evaluate the activity of TroVax® plus chemotherapy drug docetaxel, versus docetaxel alone. The study is being led by Dr Anna Ferrari, New York University Cancer Institute (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 the number of recruiting clinical sites expanded to eight during 2011. However, with new prostate cancer treatments on the US market, in addition to other clinical trials targeting the same indication, competition for suitable patients is high. As a result, recruitment rates during H2 2011 were slower than anticipated and two of the centres have ceased recruitment. As previously communicated, initial results from patients treated to date are still expected in H2 2012 and Oxford BioMedica is closely monitoring the progress of this study.

Oxford BioMedica's collaborators at Cardiff University received MHRA approval in July 2011 and a favourable GTAC opinion in August 2011 to evaluate TroVax® in patients with inoperable metastatic colorectal cancer.

+10

TroVax® is a late-stage clinical asset that has completed 10 clinical trials in colorectal, renal and prostate cancer.

$47.7bn

At $47.7 billion, cancer is one of the largest, fastest growing markets in the pharmaceutical industry.

Multiple sponsored Phase II studies to be initiated by collaborators

In April 2011, the team of cancer immunologists at Cardiff University and Velindre Cancer Centre, Wales (UK) received a favourable opinion from the Gene Therapy Advisory Committee (GTAC) and CTA approval from the Medicines and Healthcare products Regulatory Agency (MHRA) to undertake a Phase II study for TroVax® in patients with malignant pleural mesothelioma. The study will be funded by the June Hancock Mesothelioma Research Fund and the Velindre Cancer Centre Stepping Stones Appeal and Oxford BioMedica will provide TroVax®. Recruitment is expected to commence during H1 2012.

Oxford BioMedica's collaborators at Cardiff University received MHRA approval in July 2011 and a favourable GTAC opinion in August 2011 to evaluate TroVax® in patients with inoperable metastatic colorectal cancer. The Phase II study will be sponsored by Cardiff University and Oxford BioMedica will provide TroVax®. Recruitment is expected to begin during H1 2012.

The Company continues to work with its partners at the UK National Cancer Research Network (NCRN) in order to develop a Phase II metastatic ovarian cancer protocol. The protocol received a positive review by the Clinical Trials Awards and Advisory Committee (CTAAC) in November 2011. Following amendments to reflect the CTAAC opinion, the study protocol will be submitted to the GTAC. Subject to GTAC approval, the study is estimated to start in Q3 2012.

Partnering initiative

Expenditure on TroVax® is closely monitored and, given the interest within the oncology field, management continues to explore collaborations through clinical networks in order to generate further data and leverage the value of the product. Securing a development or financial partner for TroVax®'s future late-stage development remains a key strategic priority for the Company and discussions with interested parties are ongoing.

Market opportunity

At $47.7 billion, cancer is one of the largest, fastest growing markets in the pharmaceutical industry, according to MarketResearch.com. In prostate cancer alone, the global vaccine market is expected to reach US$2.3 billion in 2017; growing at a compound annual rate of 66% (source: GlobalData). 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.

Operational Review
5T4 Tumour Antigen

The concept of an anti-cancer therapy, which has antibody-like specificity as well as chemotherapy-like potency, is clearly attractive.

$28m+

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

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 (acquired by Pfizer in 2009) in 2001. The original agreement is potentially worth US$24 million which comprises upfront payments, license option fees and milestone payments that are subject to the achievement of certain project objectives. Additionally, under the agreement, Oxford BioMedica will receive royalties on sales of products targeting the proprietary 5T4 antigen that are developed and commercialized by Pfizer.

Highlights 2011

— Partnership with Pfizer broadened to include *in vitro* diagnostic use of 5T4 antibodies

Diagnostic rights secured in preparation for Investigational New Drug (IND) application

In May 2011, Oxford BioMedica broadened its licensing agreement with Pfizer granting non-exclusive rights for the *in vitro* diagnostic use of 5T4 antibodies, including an option for commercialisation of a 5T4-based diagnostic. The potential value of this collaboration is now up to US$28 million, which comprises upfront payments, license option fees and milestone payments that are subject to the achievement of certain project objectives. The next milestone payment to Oxford BioMedica would be due if Pfizer initiates clinical trials for the development of a 5T4-targeted antibody therapy.

Data presented by Pfizer at ISREC Symposium 2011 in Switzerland

In September 2011, Pfizer presented new data at the ISREC Symposium which confirmed that 5T4 is the single oncology target for the antibody-drug conjugate (ADC) technology licensed from Seattle Genetics earlier this year. The Oncology Research Unit has synthesised an anti-5T4 antibody-drug conjugate (ADC), called A1-mcMMAF, and has shown that A1-mcMMAF can eradicate tumour cells that have heterogeneous expression of 5T4.

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®.

Oxford BioMedica announced a collaboration with ImaginAb to engineer an *in vivo* diagnostic imaging agent using an antibody fragment targeting the 5T4 tumour antigen.

Diagnostic Cancer Imaging

New research collaboration with ImaginAb

In June 2011, Oxford BioMedica announced its collaboration with ImaginAb to engineer an *in vivo* diagnostic imaging agent using an antibody fragment targeting the 5T4 tumour antigen. Following proof-of-concept, the agreement includes an option for ImaginAb to negotiate an exclusive license for commercialisation of an *in vivo* 5T4-based imaging diagnostic. On that basis, Oxford BioMedica could receive proceeds of up to US$4 million in initiation and development milestone payments, in addition to royalties on product sales, subject to the achievement of certain programme objectives. Since the start of the collaboration, progress is on track and the teams are preparing for pre-clinical studies to begin in H1 2012.

Highlights 2011

— Collaboration with ImaginAb to engineer a 5T4-based *in vivo* diagnostic imaging agent

Other products

Oxford BioMedica has some non-core assets where, although development is no longer funded by the Company, there remains potential to realise value 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 seeks to realise the value of these assets through partnerships. A divestment process for out-licensing Hi-8® MEL concluded in June 2011 without securing a partner on this occasion. Consequently, an impairment charge of £3.1 million was recognised in June 2011 to write the Hi-8® MEL asset down to zero.

Board changes

At the Annual General Meeting on 5 May 2011, Nick Rodgers, previously non-executive Director, Senior Independent Director and Deputy Chairman of Oxford BioMedica, was appointed Chairman of the Company following Dr Alan Kingsman leaving the Board. As a result, Dr Andrew Heath, non-executive Director, was appointed the Senior Independent Director and Deputy Chairman. Oxford BioMedica expresses its deep gratitude to Dr Kingsman for his invaluable contribution to the Company over the last 15 years. Dr Kingsman will continue to be a consultant to Oxford BioMedica.

On 24 May 2011, Dr Alex Lewis was appointed Director of Corporate Activities and Strategy and a member of the senior management team and, as a result, stepped down from the Board. In place of Dr Lewis, Dr Paul Blake became Chairman of Oxford BioMedica's Remuneration Committee and Dr Heath joined the Company's Remuneration Committee.

Tim Watts was appointed to the Board as Chief Financial Officer and Company Secretary of the Company in February 2012 as Andrew Wood stepped down from the Board of Oxford BioMedica. Andrew will continue as an employee of the Company for the time being to ensure the smooth transition of the role. Oxford BioMedica thanks Andrew for his substantial contribution to the Company since its IPO in 1996 and wishes him well for the future.

$4m

Oxford BioMedica could receive proceeds of up to US$4 million in initiation and development milestone payments from its collaboration with ImaginAb.

Oxford BioMedica's Ocular Collaborations

From bench to bedside

2011 was a year of growth for Oxford BioMedica's ocular portfolio with three pioneering ocular Phase I/II programmes underway and a new research and development collaboration with Mayo Clinic, USA for chronic glaucoma. Here, Dr Stuart Naylor explains Oxford BioMedica's journey of ocular translational medicine and the importance of strong relationships and industry alliances in delivering success.

Oxford BioMedica was founded in 1995 by Professors Alan and Susan Kingsman as a technology spin-out from the University of Oxford's Department of Biochemistry. Our technology is based on a lentiviral gene delivery programme using an equine viral vector. This LentiVector® gene delivery technology is the most effective platform for targeting non-dividing cells such as those in the brain and the eye. It also has the ability to deliver therapeutic genes into those cells and express therapeutic proteins for the life of a particular cell and therefore, we hope, the life of the patient.

What we aim to do at Oxford BioMedica, which I believe sets us apart in the field of gene therapy, is to develop our LentiVector® platform technology for clinical application in indications which are an appropriate match. We initially started investigating the use of our LentiVector® platform to block the aberrant blood vessel growth which underlies "wet" age-related macular degeneration (AMD). It was whilst carrying out this research in the retina that we first came across the Foundation Fighting Blindness (FFB). Dr Tim Schoen, director of science/research communications at FFB, helpfully introduced us to the scientific team at FFB. At the same time, we were thrilled to receive a call from Dr Rando Allikmets of Columbia University who had already established an interest in applying these vectors to retinal diseases and, specifically, delivering the ABCA4 gene into a pre-clinical model of Stargardt disease.

We are privileged to work closely with experts in the field such as Dr Allikmets and are extremely grateful for the funding that came through the FFB and its trustees. Without their continued support and influence, in addition to our strong partnership with Sanofi, we would certainly not have achieved what we have today. We value our partnerships and our ocular collaborations are the perfect example of what can be achieved by working together.

Dr Stuart Naylor
Chief Scientific Officer
at Oxford BioMedica

Dr Stuart Naylor
Chief Scientific Officer at Oxford BioMedica and Dr Stephen Rose, Chief Research Officer at the Foundation Fighting Blindness.

For a genetic disorder such as Stargardt disease, there are currently no treatments which try and tackle the root cause of the disease. Children are born with a mutated ABCA4 gene which leads to the degeneration of photoreceptors in the retina and vision loss. Our LentiVector® platform appeared to be well-suited for treating Stargardt disease and, in fact, it was the only available technology that could deliver the large ABCA4 genetic payload to photoreceptors. We were impressed with Dr Allikmets' work and, having been given the opportunity to apply our technology to Stargardt disease, our relationship with Dr Allikmets and FFB quickly facilitated our interaction with key opinion leaders in the retinal research field. Importantly, our relationships also helped to secure funding to prime an early stage pre-clinical ocular portfolio at Oxford BioMedica.

In November 2003, the FFB agreed to fund pre-clinical proof-of-principle studies for RetinoStat® in wet AMD. This was followed by an agreement with the National Neurovision Research Institute (NNRI), the translational research arm of FFB, in October 2006 to fund the development of a portfolio of ocular gene therapy products with StarGen™ as the lead product in Stargardt disease. This funding, originally led by Paul Manning, a director of the NNRI, was extended in February 2009 to support the continuing development of StarGen™. Following several academic publications which raised awareness and supported the LentiVector® platform and Dr Allikmets' work, we were delighted to secure a partnership with a large pharmaceutical development partner. Sanofi committed US$50 million in April 2009 to bring RetinoStat®, StarGen™ and two other pre-clinical ocular gene therapies (UshStat® for Usher syndrome type 1B and EncorStat® for corneal graft rejection) into Phase I/II clinical development.

Since April 2009, we have made outstanding progress in bringing these novel gene therapies to patients. In November 2010, the US Food and Drug Administration (FDA) approved our Investigational New Drug (IND) application for RetinoStat® which resulted in the initiation of the first US clinical study using our LentiVector® platform technology in January 2011. Within 12 months, the FDA also approved the StarGen™ and UshStat® IND applications and the first-ever gene therapy clinical trials in Stargardt disease and Usher syndrome type 1B are now underway.

The initiation and development of three ground-breaking Phase I/II ocular gene therapy studies is not only a historic milestone for Oxford BioMedica and all those involved, but is also of great significance to the field of ophthalmology – particularly in orphan indications such as Stargardt disease and Usher syndrome type 1B for which there are currently no approved treatments. We are particularly excited by the future potential of our LentiVector® platform technology which could enable us to swap the genetic cargo whilst keeping the same manufacturing processes, thereby creating multiple opportunities to apply our technology to other retinal dystrophies. If we are successful with StarGen™ and UshStat®, we should be primed and ready to go with the next corrective gene therapy approach.

We continue to work closely with our current partners and clinicians, academic institutions, charitable organisations and leaders in the field. With four products partnered with Sanofi, our glaucoma collaboration with Mayo Clinic and the potential to explore new opportunities, we remain extremely encouraged by the potential in our ocular portfolio.

Dr Stuart Naylor
Chief Scientific Officer

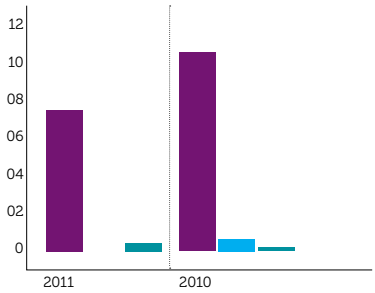
With great support from the FFB, we were able to put together a very productive collaboration. We have strong experience in genetics and pre-clinical models at Columbia University, and Oxford BioMedica provided us with the lentiviral vector expertise and platform technology. Working together, I believe this group of people was the main reason for success; everybody contributed what they knew best and altogether it has worked out beautifully.

Dr Rando Allikmets
Columbia University

The Foundation is proud to have played a pivotal partnering role in advancing these novel ocular therapies into clinical development. We are delighted by the excellent reports coming from Oxford BioMedica's ongoing clinical studies for retinal degenerations and are pleased to have worked so closely with the group throughout the stages of development to date. Such pioneering clinical development efforts hold great promise for saving and restoring the vision for millions of patients worldwide.

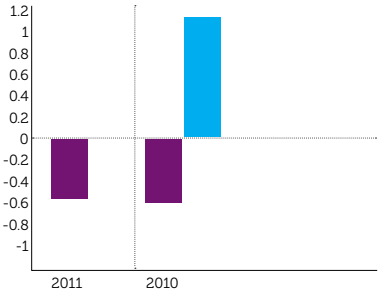
Dr Stephen Rose
Chief Research Officer at the Foundation Fighting Blindness

Financial Highlights[1]



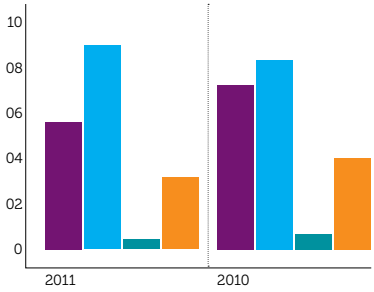
Revenue £m

- *Ocular*
- *PrimeBoost*
- *Other*



Cost of sales £m

- *Royalties*
- *License credit*



Research and development £m

- *External*
- *Internal*
- *Amortisation*
- *Impairment*

+£20m

Fundraising of £20.0 million before expenses, completed on 10 January 2011.

£7.7m

Revenue 2011: £7.7 million (2010 £11.2 million).

£17.8m

Research and development 2011: £17.8 million (2010: £19.9 million) including £3.1 million exceptional impairment loss (2010: £3.9 million impairment loss).

£12.6m

Net loss after exceptional items of £12.6 million (2010: £10.3 million).

£16.5m

Net cash burn[2] of £16.5 million (2010: net cash burn £13.0 million).

£14.3m

Net cash[3] of £14.3 million (2010: £12.3 million).

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.*

Financial Review

2011 was a year of significant operational progress for Oxford BioMedica, and included the raising of £20 million before expenses in a placing and open offer which closed on 10 January 2011 and the purchase and commissioning of a manufacturing facility in Oxford.

Tim Watts
Chief Financial Officer

Cash burn in 2011 was £16.5 million, compared to £13.0 million in 2010 and the total of cash, cash equivalents and current financial assets at 31 December 2011 amounted to £14.3 million (2010: £12.3 million).

Revenue in 2011 of £7.7 million was £3.4 million lower than in 2010 primarily because R&D funding from Sanofi for the ocular programme was reduced as the external programme costs were lower in 2011 by £2.7m. Revenue was further reduced in 2011 compared with 2010 because 2010 included £0.6 million one-off license income. Cost of sales in 2011 was £0.6 million compared with £0.6 million credit in 2010 which was due to the release of a provision. Non-exceptional operating expenses of £18.5 million were £1.3 million lower than in 2010. The lower ocular programme costs were offset by £1.0m start-up and commissioning costs at the manufacturing facility that was acquired in February 2011. There was a further £3.1 million exceptional impairment of intangible assets in 2011 (2010: £3.9 million) as the divestment of Hi-8® MEL did not secure a purchaser. The net loss after exceptional items in 2011 was £12.6 million, compared with £10.3 million in 2010.

Revenue £7,718,000 (2010: £11,153,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Ocular collaboration revenue	7,316	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	402	219	198	330	249
Total non-exceptional revenue	**7,718**	**11,153**	**9,031**	**18,394**	**7,219**
TroVax® collaboration – exceptional revenue	-	-	10,089	-	-
Total revenue	**7,718**	**11,153**	**19,120**	**18,394**	**7,219**

The bulk of the Group's revenue in 2011 is generated by the ocular collaboration with Sanofi which was initiated in April 2009. The collaboration has two elements: a non-refundable 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 in 2011 for this collaboration comprised £4.7 million in respect of the upfront payment (2010: £4.7 million) and £2.7 million of R&D funding (2010: £5.6 million). Deferred income of £4.6 million is expected to be recognised in 2012 and 2013. The R&D funding component was lower in 2011 because external programme costs were lower than in 2010. Revenue was further reduced in 2011 because there was a one-off £0.6 million receipt in 2010 in respect of the prime-boost technology license with Emergent BioSolutions.

Cost of sales £555,000 (2010: credit of £593,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Royalty payable on third party licenses:					
Non-exceptional cost/ (credit) of sales	555	(593)	(90)	1,295	449
Exceptional cost of sales	-	-	527	-	-
Total cost of sales	**555**	**(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 a provision of £1.1 million was released following 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 £0.5 million 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 £18,521,000 (2010: £19,850,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Non-exceptional research and development costs	14,710	15,931	14,899	22,482	22,142
Non-exceptional administrative expenses	3,811	3,919	6,056	3,840	4,282
Total non-exceptional operating expenses	**18,521**	**19,850**	**20,955**	**26,322**	**26,424**

Non-exceptional operating expenses were £1.3 million lower than 2010 at £18.5 million, principally due to lower R&D costs.

Research & development costs (pre-exceptional) £14,710,000 (2010: £15,931,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
External pre-clinical & clinical costs	4,766	7,077	6,328	13,397	11,833
In-house R&D costs UK	9,128	7,752	8,138	8,660	9,848
In-house R&D costs USA	366	403	433	425	461
Amortisation of intangibles	450	699	-	-	-
Total non-exceptional research & development costs	**14,710**	**15,931**	**14,899**	**22,482**	**22,142**

R&D costs comprise external costs (pre-clinical 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 pre-clinical and clinical costs in 2011 were lower than 2010 by £2.3 million primarily due to lower ocular programme costs in 2011 but this was offset by £1.4 million higher in-house UK R&D due mainly to the start-up and commissioning costs of the manufacturing facility which was acquired in February 2011. External clinical and pre-clinical costs from 2006 to 2008 were high due to TroVax® development, particularly the TRIST study. In 2009 and 2010 the balance of expenditure shifted away from TroVax® to ProSavin® and the ocular programme which is funded by Sanofi.

Administrative expenses (pre-exceptional) £3,811,000 (2010: £3,919,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Administrative staff costs	2,072	1,977	2,815	2,016	1,958
Legal costs	201	270	1,411	867	852
Other administrative expenses	1,538	1,672	1,830	957	1,472
Total non-exceptional administrative expenses	**3,811**	**3,919**	**6,056**	**3,840**	**4,282**

Non-exceptional administrative expenses of £3.8 million in 2011 were slightly lower than 2010 due mainly to lower employment costs including the charge for share options. Legal costs charged to the income statement reduced from £1.4 million in 2009 to £0.3 million in 2010, largely due to the costs in 2009 of defending patent litigation brought by Bavarian Nordic. Other administrative expenses in 2008 and 2009 were distorted by foreign exchange gains (2008) and losses (2009).

Headcount

	2011 Number	2010 Number	2009 Number	2008 Number	2007 Number
R&D headcount (year end)	87	65	53	64	69
Administrative headcount (year end)	11	10	12	12	13
Total headcount at year end	**98**	**75**	**65**	**76**	**82**
R&D headcount (average for the year)	76	62	58	73	68
Administrative headcount (average for the year)	10	11	11	12	12
Total headcount (average for the year)	**86**	**73**	**69**	**85**	**80**

During 2011 staff numbers increased, driven mainly by the need to staff the new manufacturing facility. Since the year end management has conducted a review of staffing needs following which headcount is being reduced by 16, including the closure of the US office.

Exceptional operating expenses £3,136,000 (2010: £3,949,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'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	3,136	3,949	-	4,561	-
Total exceptional research and development costs	**3,136**	**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	**3,136**	**3,949**	**3,561**	**4,561**	**335**

An impairment charge of £3.9 million relating to Hi-8® MEL and two smaller technology assets was recognised in 2010. In 2011, at the conclusion of a divestment process which did not secure a partner for Hi-8® MEL, the residual carrying value of £3.1 million was written off. Exceptional costs in 2009 related to the termination of the TroVax® collaboration with Sanofi, and the revision of the development strategy for TroVax®.

Finance income £136,000 (2010: £207,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Interest receivable – bank	144	213	642	1,661	2,113
Other interest receivable	-	9	27	1	4
Interest payable – discount on provisions	(8)	(14)	(10)	(19)	(30)
Other interest payable	-	(1)	(23)	(5)	-
Net finance income	**136**	**207**	**636**	**1,638**	**2,087**
Average balance on deposit in the year	11,380	16,375	24,549	28,941	37,731
Average rate of interest on deposits	0.75%	1.29%	2.61%	5.73%	5.58%

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 2011 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%. The Group has no debt, but is recognising as a finance expense the discount on a lease provision and a dilapidation provision.

Tax credit £1,671,000 (2010: £1,514,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
UK R&D tax credit – current year	1,641	1,331	1,650	2,119	2,526
UK R&D tax credit – prior year adjustment	87	239	-	(72)	-
Overseas tax payable – current year	(58)	(70)	(61)	(59)	(60)
Overseas tax payable – prior year adjustment	1	14	(10)	4	(14)
Net tax credit	**1,671**	**1,514**	**1,579**	**1,992**	**2,452**
Debtor for R&D tax credit	1,641	1,331	2,269	2,119	2,623

Oxford BioMedica's UK operating subsidiary is entitled to claim a R&D tax credit which is payable in cash to the Company. The credit is based on certain eligible expenses, to which a mark-up of 100% (75% before 1 April 2011) and a tax rate of 12.5% (14% before 1 April 2011) 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 reduces the net eligible expenses for R&D credit. As part of its policy to support Small-and Medium-sized Enterprises (SMEs) the Government has increased the mark up from 75% to 100% from 1 April 2011 and has stated that it intends to increase it further to 125% from 1 April 2012. The increase in the mark up from 1 April 2011 has resulted in an increased tax credit in 2011 compared with 2010. 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 £9,495,000 (2010: £6,341,000)

Loss for the financial year including exceptional items £12,631,000 (2010: £10,290,000)
Before exceptional items, the higher net loss in 2011 is attributable principally to the £1.1 million credit in cost of sales in 2010 and the £0.6 million license income in 2010 from Emergent BioSolutions, neither of which were repeated in 2011, and the £1.0 million start-up and commissioning costs of the new manufacturing facility.

Intangible assets £3,106,000 (2010: £6,683,000)
Intangible assets at 31 December 2011 were £3.6 million lower than 2010 due to the recognition of an impairment charge (classified as an exceptional research and development cost) of £3.1 million and amortisation (classified as a non-exceptional research and development cost) of £0.5 million.

Property, plant and equipment £4,213,000 (2010: £580,000)
Property, plant and equipment is £3.6 million greater in 2011 than 2010 because of the purchase and re-furbishment of the new manufacturing facility.

Trade and other receivables £2,800,000 (2010: £4,795,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Trade receivables	154	394	88	106	91
Accrued income	33	1,366	1,925	-	34
Other costs recoverable from Sanofi	-	-	-	3,913	109
Other receivables	1,114	217	448	814	1,434
Prepaid clinical trial expenses	493	368	70	790	969
Prepaid royalty on deferred income	-	992	1,465	870	1,330
Prepaid costs of share issues	-	777	-	-	-
Other prepayments	1,006	681	632	812	705
Total trade and other receivables	**2,800**	**4,795**	**4,628**	**7,305**	**705**

Trade and other receivables at 31 December 2011 were significantly lower than at 31 December 2010 because the 2010 balance included £0.7 million prepaid costs of the January 2011 share issue, as well as £1.4 million (2011: £33,000) accrued income in respect of R&D funding recoverable from Sanofi.

Trade and other payables £3,226,000 (2010: £3,923,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Trade payables	1,200	1,277	1,965	3,298	2,948
Accruals – share issue costs	-	525	-	-	-
Accruals – other	1,865	1,982	5,400	7,124	6,191
Other taxation and social security	161	139	304	136	418
Total trade and other payables	**3,226**	**3,923**	**7,669**	**10,558**	**9,557**

Trade and other payables reduced in 2011 because the 2010 balance included accrued share issue costs which had been incurred in 2010 ahead of the January 2011 share issue.

Deferred income £4,556,000 (2010: £9,402,000)

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Ocular deferred income (current)	4,262	5,121	4,665	-	-
Ocular deferred income (non-current)	170	4,201	9,024	-	-
Other deferred income (current)	124	80	76	119	90
TroVax® deferred income	-	-	-	8,324	18,823
Total deferred income	**4,556**	**9,402**	**13,765**	**8,443**	**18,913**

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 is being recognised as revenue over a period of 42 to 51 months.

Share issues
At the start of 2011, the Company had 544,875,557 shares in issue. 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. At 31 December 2011 the Company had 944,875,557 shares in issue.

Cash, cash equivalents and available for sale investments £14,335,000 (2010: £12,256,000).

Cash burn £16,488,000 (2010: £13,038,000)
The total of cash, cash equivalents and available for sale investments at the end of 2011 was £14.3 million. 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 £16.5 million in 2011, compared to £13.0 million in 2010. Cash used in operations in 2011 was £14.3 million, £1.0 million less than in 2010 but the 2011 tax credit received was £1.1 million lower than in 2010 and 2011 also included the £3.1 million purchase and refurbishment of the manufacturing site.

Financial outlook
There has been good operational progress for Oxford BioMedica throughout 2011 and in particular the ocular programmes in collaboration with Sanofi are progressing well. We have successfully commissioned the proprietary manufacturing facility to support our core programmes. Subject to receiving MHRA approval, this facility should generate significant cost savings by increasing operational and financial efficiencies and provides the opportunity for the Company to become the LentiVector® platform supplier of choice for its current and future partners.

We have sufficient financial resources to fund the business until Q1 2013. However this does not take into account potential milestone payments should Sanofi choose to exercise its options for the ocular products during 2012, nor does it factor in potential revenue from partnering deals for ProSavin® and TroVax®. Our aim is to ensure that Oxford BioMedica is an efficient, focused and resilient organisation and until we reach sustainable profitability we will continue to strike a balance between growing the Company whilst also being careful with costs. Having recently reduced the Company's cost base, Oxford BioMedica has tight fiscal controls in place. We continue to seek to leverage the value of our intellectual property through strategic partnerships and our growth and success will also come from future corporate activity. We also continue to review our options in terms of how best to finance the Company to allow us to achieve our strategic aims.

The Board of Directors

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01. Nick Rodgers
Non-executive Chairman
Nick Rodgers, age 53, was appointed to Oxford BioMedica's Board in March 2004 and was appointed Chairman in May 2011. Mr Rodgers is a former investment banker with considerable experience in the life sciences sector. He is now Chief Executive 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. Mr Rodgers joined Beeson Gregory in 1989 from accountants Ernst & Young, having also worked in the listing department of the London Stock Exchange.
He is Chairman of Oxford BioMedica's Audit and Nomination committees.

02. John Dawson
Chief Executive Officer
John Dawson, age 52, 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. Tim Watts
Chief Financial Officer
Tim Watts, age 54, joined Oxford BioMedica and the Board in February 2012. He has over 30 years' experience in leading multinational and entrepreneurial businesses. Mr Watts qualified as a chartered accountant, beginning his career with Coopers & Lybrand before moving to H J Heinz, the food producer. In 1985 he joined ICI, initially in the corporate headquarters and from 1990 in the pharmaceuticals division, eventually rising to be Finance Director of the Zeneca Pharmaceuticals business. Following the merger of Astra and Zeneca, Mr Watts became Group Financial Controller of AstraZeneca PLC in 2001. In 2007 he left AstraZeneca to become Chief Financial Officer at Archimedes Pharma. Mr Watts has a proven track record in the industry, including managing corporate transactions, M&A activity, fundraising and strategic implementation.

04. Dr Stuart Naylor
Chief Scientific Officer
Dr Stuart Naylor, age 49, 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 59, 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. Dr Andrew Heath
Deputy Chairman and Senior Independent Director
Dr Andrew Heath, age 64, was appointed to Oxford BioMedica's Board in January 2010 and was appointed Deputy Chairman and Senior Independent Director in May 2011. Dr Heath is a healthcare and biopharmaceutical executive with in-depth knowledge of US and UK capital markets and international experience in marketing and sales, R&D and business development. He was Chief Executive Officer of Protherics plc from 1997 to 2008, taking the Company from 30 to 350 staff and managing its eventual acquisition by BTG for £220 million. Prior to this, Dr Heath was President and Chief Executive Officer of Aerogen Inc, and previously held senior positions at Astra AB and Astra USA, including Vice President Marketing & Sales, and at Glaxo Sweden as Associate Medical Director. He is currently a non-executive director of XL TechGroup Inc, Anew Inc, Pioneer Technology Inc, and is a director of the BioIndustry Association.

07. Dr Paul Blake
Non-executive Director
Dr Paul Blake, age 63, 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.
Dr Blake 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 five products in active clinical trials: ProSavin®, TroVax®, RetinoStat®, StarGen™ and UshStat®. 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 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, 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 has taken steps to actively mitigate this risk by investing in its own manufacturing capability via the acquisition of a UK manufacturing facility in February 2011. 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 UK Corporate Governance Code (the "Code")
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 Code. A copy of the code is available from www.frc.org.uk

The board considers that it has complied throughout the year with the provisions of the Code, unless otherwise indicated below.

Compliance with the provisions of the Code

The Board
Oxford BioMedica is led and controlled by a board consisting of a chairman, two non-executive directors and four executive directors. Between January 2011 and May 2011 there had been a total of four non-executive directors. On 5 May 2011 Dr Alan Kingsman (Chairman) left the Board, at which time Nick Rodgers (Deputy Chairman and Senior Independent Director) became Chairman. On 24 May 2011 Dr Alex Lewis (non-executive Director) left the Board to take up a management position with the Company as Director of Corporate Activities and Strategy. On 9 February 2012 Andrew Wood stepped down from the Board and was replaced on that date as Chief Financial Officer and Company Secretary by Tim Watts. As set out in their biographies on pages 40 to 41, 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 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. The Chairman has no significant external commercial commitments that would impact the performance of his duties.

Provision A.3.1 of the Code recommends that the Chairman should meet the independence criteria on appointment, and that a Chief Executive Officer should subsequently be appointed as Chairman. This recommendation is complied with by the present Chairman, Nick Rodgers who was appointed on 5 May 2011. The previous arrangement did not meet the recommendation as Dr Alan Kingsman, who was Chairman until 5 May 2011, had previously been the Chief Executive Officer. Dr Alan Kingsman also held share options and long term incentive plan awards that had been granted when he held executive positions, which was contrary to the requirements for independence. Notwithstanding this, provision B.1.2 of the Code which recommends that a small company should have at least two independent non-executive Directors, has been fully met throughout the year.

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. Each Director is provided with an appropriate induction on appointment, and 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 2011 there were 10 board meetings. The attendance of individual Directors at board meetings was as follows:

Director	Number attended	Maximum possible
Dr Alan Kingsman[1]	1	3
Dr Paul Blake	10	10
Dr Andrew Heath	10	10
Dr Alex Lewis[2]	4	4
Nick Rodgers	10	10
John Dawson	10	10
Dr Stuart Naylor	10	10
Peter Nolan	9	10
Andrew Wood[3]	9	10

1. Dr Alan Kingsman resigned from the Board on 5 May 2011.
2. Dr Alex Lewis resigned from the Board on 24 May 2011.
3. Andrew Wood resigned from the Board on 9 February 2012.

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 53 to 58. The Remuneration Committee met five times in 2011. All meetings were attended by all committee members.

Audit Committee
There is also an Audit Committee, which comprises two non-executive Directors: Nick Rodgers (Chairman) and Dr Andrew Heath. Up to 24 May 2011 Dr Alex Lewis was also a member of the committee. The Board considers that both 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 website. 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.

Provision C.3.1 of the Code states that the company Chairman should not chair the Audit Committee. When the composition of Board and its committees was re-organised in May 2011, Nick Rodgers became company Chairman, and retained on a *pro tem* basis the chair of the Audit Committee. The Board recognises that this arrangement is not satisfactory and in the longer term the intention is to appoint an appropriately qualified non-executive director who could chair the Audit Committee.

Provision C.3.5 of the Code states that the Audit Committee should review the effectiveness of the Company's internal audit function. Due to the small size of the Company, it has not been considered necessary to have an internal audit function. The Audit Committee regularly (at least once per year) reviews the need for internal audit.

PricewaterhouseCoopers LLP have been auditors to the Company and the Group since 1997. The Audit Committee regularly reviews the relationship with the auditors and remains satisfied with their effectiveness and that they remain independent. 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. 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 2011 with the Chief Financial Officer present, at the committee's invitation. All meetings were attended by the full committee.

Nomination Committee
The Nomination Committee leads the process for making appointments to the Board, and comprises the non-executive Directors and the company Chairman, who is Chairman of the Nomination Committee. The Nomination Committee did not meet in 2011.

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 B.6 of the Code requires an annual review of the performance of the Board, the committees and the individual directors. During 2011 a comprehensive review of the executive Directors and senior management was carried out in conjunction with RSA Consulting Limited, an organisation that is independent of Oxford BioMedica. In July 2011 the Board carried out a wide ranging review of strategy and management processes, including the effectiveness of the Board. The Chairman and Senior Independent Director monitored board performance and maintained their review of the performance of the committees and the individual Directors throughout 2011. They considered the performance satisfactory. 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 management and 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 (AGM) 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 Chairman and Senior Independent Director have 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 the 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 2011 did not highlight any matters that require reporting to shareholders.

Oxford BioMedica has procedures in place which incorporate the recommendations included in the FRC's 2005 document Internal Control Revised Guidance for Directors on the Code.

Share capital
The information about share capital required by the takeover directive is in the Directors' Report on page 51.

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. In 2011, we launched Oxford BioMedica's new mission, vision and values in order to further encourage inspiration and innovation amongst employees.

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. The Board as a whole takes considerable interest in employment matters. These are represented at Board level by the Chief Executive Officer.

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 by the Chief Scientific Officer.

Quality Assurance
Oxford BioMedica is committed to operating all its 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 and instruction pertaining to the development, manufacturing, testing, clinical evaluation, storage and distribution of investigational medicinal products (IMP) performed by or authorised by the Company.

Oxford BioMedica places the highest priority on the safety and well-being of its clinical trial patients who will be treated with the Company's products. It is a regulatory and Company requirement that employees are aware of the implications and importance of maintaining drug safety, quality and efficacy throughout its clinical trial programmes. Oxford BioMedica held company wide Good Manufacturing Practice (GMP), Good Laboratory Practice (GLP) and Pharmacovigilance training in 2011 to ensure that employees are aware of and compliant with current best practice. The Company continues to support ongoing and periodic training as an essential part of its continuous improvement philosophy.

Strong emphasis is also placed on maintaining 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 batch of product is fit-for-purpose in terms of safety, quality, identity, strength, purity and expected efficacy. In March 2011, the UK Medicines and Healthcare products Regulatory Agency (MHRA) completed a successful GLP compliance inspection of Oxford BioMedica. There were no major or critical observations and the GLP Certificate of Compliance was renewed. In December 2011, an application was made to the MHRA to vary the current GMP license to include drug manufacture for clinical trials at the Company's manufacturing facility and an MHRA inspection of the manufacturing facility is expected in H1 2012. Oxford BioMedica continues to operate under Good Clinical Practice (GCP), GMP and GLP accreditations on an ongoing basis and has remained within compliance throughout 2011.

Manufacturing
In February 2011, Oxford BioMedica invested in its specialist manufacturing processes by acquiring a UK manufacturing facility based in Cowley, Oxford. During the refurbishment and commissioning phase of the manufacturing facility, the Company took the opportunity to upgrade and replace old equipment with new energy efficient systems. The manufacturing facility complies with Oxford BioMedica's general environmental policy and Oxford BioMedica also plans to work towards a recognised environmental programme.

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 ongoing 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 started recycling our coffee disks in order to raise money for MacMillan Cancer Support and this continued during 2011. Given its importance to Oxford BioMedica, environmental issues are represented at Board level by the Chief Executive Officer.

The Directors present their annual report and audited financial statements for the year ended 31 December 2011.

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.

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, Sigma-Aldrich and Pfizer for product development; Biogen Idec, Emergent BioSolutions, GlaxoSmithKline, Merck & Co and Pfizer, as technology licensees; and collaborations with the Mayo Clinic and ImaginAb.

At 31 December 2011 the Group had 98 employees, all but two of whom are based at the two operational sites 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. In early 2012, a decision was taken to close the US office and also to reduce Oxford staff levels, which will lead to a reduction in headcount numbers of 16.

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 60. A review of the Group's activities and future developments is contained within the introduction (pages 01 to 03 and 06 to 07), the Chairman's message (page 04), the Chief Executive's Review (page 08), the Operational Review on pages 18 to 29, interview with the Chief Scientific Officer (pages 30 to 31) and the Financial Review on pages 33 to 39.

Key performance indicators (KPIs)
Key performance indicators are outlined in the Directors' Remuneration Report on pages 53 to 58.

Share capital
On 10 January 2011 the Company issued 400,000,000 new ordinary shares in a placing and open offer raising £20 million before expenses. At 31 December 2011 the Company had 944,875,557 shares in issue.

Dividends
The Directors do not recommend payment of a dividend (2010: nil).

Group research and development activities
During the year the Group incurred non-exceptional research and development expenditure of £14,710,000 (2010: £15,931,000) and exceptional research and development expenditure of £3,136,000 (2010: £3,949,000) all of which was expensed in the statement of comprehensive income.

Charitable donations
The Group made no charitable donations in 2011 (2010: nil).

Directors
The Directors of the Company at the date of signing the financial statements, who had been Directors for the whole of 2011 unless otherwise indicated were:

Nick Rodgers
Non-executive Director, Chairman, Chairman of the Audit and Nomination Committees.

Dr Paul Blake
Non-executive Director, Chairman of the Remuneration Committee, member of the Nomination Committee

Dr Andrew Heath
Non-executive Director, Deputy Chairman and Senior Independent Director, member of the Audit Committee and the Nomination Committee.

John Dawson
Chief Executive Officer

Dr Stuart Naylor
Chief Scientific Officer

Peter Nolan
Senior Vice President: Commercial Development

Tim Watts
Chief Financial Officer (appointed 9 February 2012)

On 5 May 2011 Dr Alan Kingsman (Chairman) resigned from the Board.

On 24 May 2011 Dr Alex Lewis (non-executive Director) resigned from the Board to take up a management role as Director of Corporate Activities and Strategy.

On 9 February 2012 Andrew Wood (Chief Financial Officer) resigned from the Board.

On 9 February 2012 Tim Watts was appointed to the Board as 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 2012 Annual General Meeting the following Directors will retire from the Board in accordance with article 38 of the Company's articles of association.

— Peter Nolan

— Andrew Heath

— Tim Watts

The contracts of employment of the executive Directors are subject to twelve months' notice.

Biographical details of all the Directors, including those due to retire at the 2012 Annual General Meeting, are given on pages 40 to 41.

The interests of the Directors at 31 December 2011 in the share capital of the Company are disclosed in the Directors' Remuneration Report on pages 53 to 58.

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 2011 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 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 pages 47 to 48.

Substantial shareholdings
At 20 February 2012, 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	112,491,100	11.91%
JP Morgan Asset Management Limited	93,853,869	9.93%
GAM London Limited	44,669,470	4.73%
TD Waterhouse Stockbrokers	42,968,104	4.55%
Barclays Stockbrokers	40,039,099	4.24%
Legal & General Investment Management	34,003,033	3.60%
Self Trade Stockbrokers	32,834,399	3.47%

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 2011 was 27 days (2010: 25 days). The Company has no trade creditors (2010: nil).

Risk management
The Group's risk management objectives and exposure to risks is set out on pages 42 to 43 (Principal Risks and Uncertainties) and pages 70 to 71 (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 01 to 03 and 06 to 07), the Chairman's Message (page 04), the Chief Executives' Review (page 08), the Operational Review on pages 18 to 29, interview with the Chief Scientific Officer (pages 30 to 31) and the Principal Risks and Uncertainties on pages 42 to 43. The financial position of the Group, including its cash flows, is described in the Financial Review on pages 33 to 39. 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 estimate that the cash held by the Group will be sufficient to support the current level of activities into the first quarter of 2013. Based on anticipated progress in the business in 2012, the Directors also expect to secure additional financing sufficient for the future needs of the business beyond the first quarter of next year. However, there is no certainty that adequate resources will be available on a timely basis, and in the event that further funding is not achieved, then the Group would have to curtail or suspend the existing programme development.

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 2011 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 in 2010, the share capital of the Company is unlimited. At 20 February 2012 there were 944,875,557 1p ordinary shares 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 5 May 2011, authority was given to allot up to 314,958,500 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 314,958,500 shares, solely in a rights issue. Authority was also given, subject to certain conditions, to waive pre-emption rights over up to 47,243,700 shares, being 5% of the shares then in issue. 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.

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

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
In accordance with s418 of the Companies Act 2006, so far as the 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 statement on pages 44 to 46 of these financial statements.

By order of the Board

Tim Watts
Company Secretary

5 March 2012

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

During 2011 the Remuneration Committee met five times. Up to 5 May 2011 the committee comprised three non-executive Directors: Dr Alex Lewis (Chairman), Dr Paul Blake and Nick Rodgers. Following the 2011 AGM on 5 May 2011 the committee has comprised Dr Paul Blake (Chairman) and Dr Andrew Heath. 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 (LTIP). 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. In 2011 the committee received assistance on remuneration, succession planning and other matters from RSA Consulting Limited.

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

Consistent with this policy, the Company's remuneration packages awarded to executive Directors are intended to be competitive and comprise a mix of performance-related and non-performance-related elements. Salaries are normally reviewed in January each year.

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 2011 the Group performance measures related to the following corporate goals:

- Significant product-related deals – 30%
- Targets related to the existing collaboration with Sanofi – 10%
- Progress of existing clinical trials – 15%
- Progress with new clinical trials – 35%
- Other goals – 10%

For the executive Directors the performance-related annual bonus potential is up to 60% of basic salary. For the CEO 75% of this relates to the corporate goals above with the balance on personal targets. For the other executive Directors the weighting for corporate goals vs. personal targets was 60-40. Although several of the key goals were delivered in 2011, in light of the share price at the year end, the committee decided that no bonuses would be paid in respect of 2011. In respect of 2010, bonuses of 20% to 25% of salary were paid.

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

The Group 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. Details of the awards made in 2011 under the LTIP are on page 57. 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. Since the LTIP award made in June 2010 a secondary performance condition, described below was added. The TSR comparator group for the LTIP awards made in 2011 was:

Ark Therapeutics Group plc; Allergy Therapeutics plc; BTG plc; GW Pharmaceuticals plc; ImmuPharma plc; Phytopharm plc; Proteome Sciences plc; Proximagen Neuroscience 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 awards in 2011 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%
Exercise of the development option by Sanofi for one of the collaborative ocular products	20%
First batch of clinical-grade material released from the Oxford BioMedica manufacturing facility	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 2011 and of the potentially high number of shares and the dilutive impact of an award of 100%, the 2011 LTIP awards were scaled back to 30% of salary. 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 2011, the maximum potential dilution against this limit was 3.88%.

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. 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 pages 56 to 57. A summary of all share options outstanding at 31 December 2011 is given in note 22 to the financial statements. The remaining share options held by Directors at 31 December 2011 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 2 to the table on page 57.

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 Code provision B.2.3, 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 2011	Notice period	Contractual termination payments
Dr Paul Blake	9 December 2009	1 year	3 months	Notice period only
John Dawson	10 October 2008	Nil[1]	12 months	Notice period only
Dr Andrew Heath	9 December 2009	1 year	3 months	Notice period only
Dr Alan Kingsman	4 June 2009	None[2]	12 months	Notice period only
Dr Alex Lewis	3 April 2008	None[3]	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	5 May 2011	2 years 4 months	12 months	Notice period only
Andrew Wood[4]	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. Dr Alan Kingsman resigned from the Board on 5 May 2011. Prior to his resignation he entered into a consultancy agreement with the Group, due to end on 30 June 2013.
3. Dr Alex Lewis resigned from the Board on 24 May 2011 to take up a management position with the Group.
4. Andrew Wood resigned from the Board on 9 February 2012

Directors' remuneration*

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

Name of Director	Salary and fees £	Benefits £	Compensation for loss of office £	Other payments £	2011 total emoluments £	2011 pension £	2010 total emoluments £	2010 pension £
Chairman								
Nick Rodgers[1,4]	81,388	–	–	–	**81,388**	**–**	52,500	–
Dr Alan Kingsman[2]	25,000	3,979	75,000	77,083	**181,062**	**–**	170,998	–
Executive								
John Dawson	330,000	5,408	–	–	**335,408**	**33,000**	416,936	33,000
Dr Stuart Naylor	187,500	2,241	–	–	**189,741**	**18,750**	220,569	17,500
Peter Nolan	173,565	3,296	–	–	**176,861**	**17,357**	210,953	17,357
Andrew Wood[6]	219,945	2,109	–	–	**222,054**	**21,995**	265,646	21,995
Nick Woolf[3]	–	–	–	–	**–**	**–**	89,753	8,872
Non-Executive								
Dr Paul Blake	37,333	–	–	–	**37,333**	**–**	35,000	–
Dr Andrew Heath[4]	42,000	–	–	–	**42,000**	**–**	35,000	–
Dr Alex Lewis[5]	17,500	–	–	–	**17,500**	**–**	42,000	–
	1,114,231	17,033	75,000	77,083	**1,283,347**	**91,102**	1,539,355	98,724

1. Nick Rodgers was appointed as Chairman on 5 May 2011. £32,078 of his fee for 2011 relates to the period prior to 5 May 2011.
2. Dr Alan Kingsman resigned on 5 May 2011. A payment of £75,000 in lieu of notice was made.
   In addition to Director's fees Dr Alan Kingsman was paid consultancy fees of £77,083 (2010: £75,000).
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. Dr Alex Lewis resigned from the Board on 24 May 2011.
6. Andrew Wood resigned from the Board on 9 February 2012

During 2011, retirement benefits accrued to four Directors (2010: four) 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 2011, together with their interests at 1 January 2011 are shown below.

The Company – ordinary shares of 1p each	1 January 2011	31 December 2011
Dr Paul Blake	–	**200,000**
John Dawson	1,500,000	**1,700,000**
Dr Andrew Heath	–	**200,000**
Dr Stuart Naylor	8,921	**88,921**
Peter Nolan	263,638	**363,638**
Nick Rodgers	52,000	**152,000**
Andrew Wood	305,067	**405,067**

There were no changes in the Directors' shareholdings between 31 December 2011 and the date of this report. Andrew Wood resigned from the Board on 9 February 2012.

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 2011	Granted	Exercised	Lapsed	**31 December 2011**	Exercise Price	Date from which exercisable	Expiry Date
Dr Alan Kingsman [1,2]	190,000	–	–	(190,000)	**–**	20.5p	12.10.07	12.10.11
Dr Alan Kingsman [1,2]	155,000	–	–	(155,000)	**–**	20.5p	12.10.07	12.10.11
Dr Alan Kingsman [1,2]	208,000	–	–	–	**208,000**	29.0p	15.12.08	15.12.12
Dr Alan Kingsman [1,2,3]	170,000	–	–	(170,000)	**–**	29.0p	15.12.08	29.01.12
	723,000	–	–	(515,000)	**208,000**			
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	–	–	(97,485)	**120,750**			
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	–	–	(140,000)	**153,000**			
Andrew Wood [1]	175,000	–	–	(175,000)	**–**	20.5p	12.10.07	12.10.11
Andrew Wood [1,4]	193,000	–	–	–	**193,000**	29.0p	15.12.08	15.12.12
	368,000	–	–	(175,000)	**193,000**			

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 Alan Kingsman resigned from the board of Oxford BioMedica on 5 May 2011 but remains a consultant. In accordance with the rules of the Oxford BioMedica 1996 (No.1) share option scheme, the options held at 5 May 2011 remained in place on their original terms.
3. These options lapsed on 29 January 2011.
4. Andrew Wood's options at 31 December 2011 will lapse.

Long-term incentive plan*

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

	1 January 2011	Awarded	Exercised	Lapsed	**31 December 2011**	Award date	Vesting date
John Dawson [3]	2,500,000	–	–	(1,500,000)	**1,000,000**	13.10.08	13.10.11
John Dawson	2,500,000	–	–	–	**2,500,000**	25.03.09	25.03.12
John Dawson [4]	1,692,000	–	–	–	**1,692,000**	15.06.10	15.06.13
John Dawson [4]	–	1,704,000	–	–	**1,704,000**	13.04.11	13.04.14
	6,992,000	1,704,000	–	(1,500,000)	**6,896,000**		
Dr Alan Kingsman [5]	1,291,871	–	–	(1,291,871)	**–**	13.03.08	13.03.11
Dr Alan Kingsman [6]	899,000	–	–	(899,000)	**–**	25.03.09	25.03.12
	2,190,871	–	–	(2,190,871)	**–**		
Dr Stuart Naylor [5]	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 [4]	897,000	–	–	–	**897,000**	15.06.10	15.06.13
Dr Stuart Naylor [4]	–	968,000	–	–	**968,000**	13.04.11	13.04.14
	2,019,284	968,000	–	(311,284)	**2,676,000**		
Peter Nolan [5]	771,400	–	–	(771,400)	**–**	13.03.08	13.03.11
Peter Nolan	854,000	–	–	–	**854,000**	25.03.09	25.03.12
Peter Nolan [4]	890,000	–	–	–	**890,000**	15.06.10	15.06.13
Peter Nolan [4]	–	896,000	–	–	**896,000**	13.04.11	13.04.14
	2,215,400	896,000	–	(771,400)	**2,640,000**		
Andrew Wood [5]	977,533	–	–	(977,533)	**–**	13.03.08	13.03.11
Andrew Wood [7]	1,082,000	–	–	–	**1,082,000**	25.03.09	25.03.12
Andrew Wood [4,7]	1,128,000	–	–	–	**1,128,000**	15.06.10	15.06.13
Andrew Wood [4,7]	–	1,136,000	–	–	**1,136,000**	13.04.11	13.04.14
	3,187,533	1,136,000	–	(977,533)	**3,346,000**		

1. All awards made under the LTIP to date have been nil-cost share options (options exercisable at par value). Subject to a performance condition, these options vest on the third anniversary of the date of grant and, if vested may be exercised until the tenth anniversary of the date of grant.
2. The performance condition for these awards compares the Company's total shareholder return ('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. On 13 October 2011 the TSR performance test was applied to the LTIP award made on 13 October 2008. Oxford BioMedica's TSR over the 3 year period was ranked 11th out of 20 companies. In accordance with the scheme rules, 40% of the award vested, and the remaining 60% of the award lapsed. The share price at the date of vesting was 5.34p. The value of the vested share options at 31 December 2011 was £35,000.
4. For the LTIP awards since 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 50% of the LTIP award will be released on the achievement of the specified milestone events.
5. On 13 March 2011 the TSR performance test was applied to the LTIP award made on 13 March 2008. Oxford BioMedica's TSR over the 3 year period was below the median of the comparator group, and consequently none of the awards vested.
6. Dr Alan Kingsman resigned on 5 May 2011 and consequently his remaining LTIP awards lapsed.
7. Andrew Wood resigned on 9 February 2012. The Company has agreed that the 3,346,000 LTIP awards held by Andrew Wood at 9 February 2012 shall not lapse as a consequence of the termination of his employment with the Company, but shall continue as if he had remained an Eligible Employee and Participant (both terms as defined in the LTIP Rules) until the expiry date of the last of such LTIP awards.

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 2011, the Directors estimate that the LTIP awards would vest as follows:

— Award made on 25 March 2009: performance below median – none of this award would vest

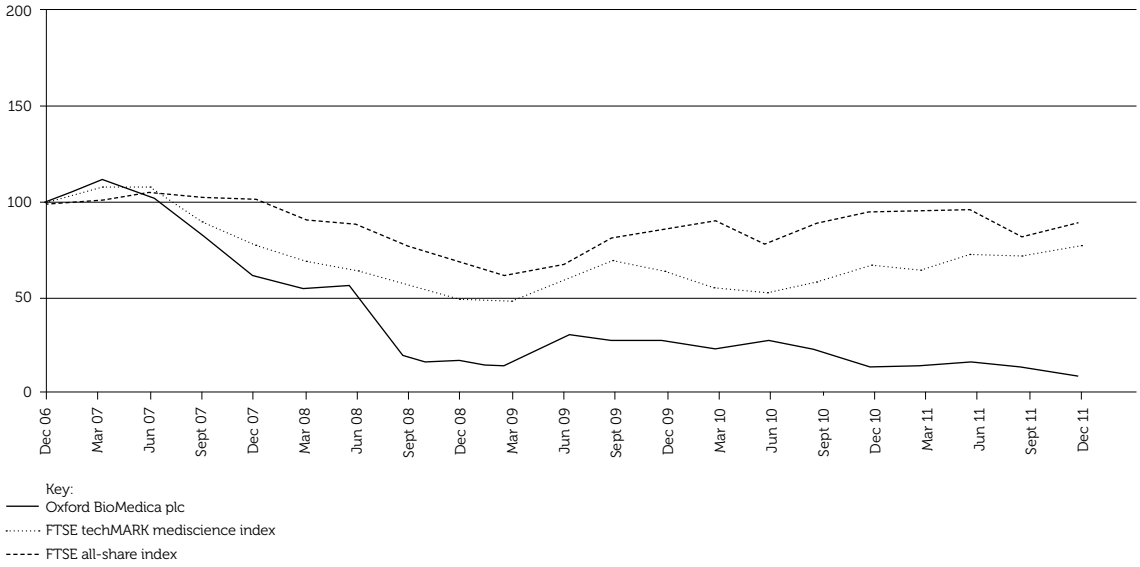
— Award made on 15 June 2010: performance below median – none of this award would vest

— Award made on 13 April 2011: performance below median – none of this award would vest

The market value of ordinary shares as at 31 December 2011 was 3.50p (31 December 2010: 5.53p). The market value of ordinary shares during the year ranged from 2.91p to 7.20p.

Except as detailed above, no Directors had interests in shares or share options of the Company or any other group company at 31 December 2011. There have been no changes in the interests of the Directors in office at the date of this report in the ordinary shares of the Company between 31 December 2011 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 2006 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 observed 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 were apparent in the earlier part of the period up to Q3 2009, with a steep drop through 2007 and 2008, and a reversal from Q2 2009, coinciding with the commencement of the ocular collaboration with Sanofi in April 2009. However, since Q3 2009 the market has generally been on a rising trend, while the OXB share price trended downwards between Q3 2009 and Q3 2010, and moved down sharply in Q4 2010 on the announcement of a placing and open offer of 400 million new shares at 5p per share. A further downward movement occurred in Q4 2011 following the release of clinical trial data for ProSavin® on 15 December 2011.

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 Paul Blake
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 2011 which comprise the Consolidated Statement of Comprehensive Income, the Balance Sheets, the Statements of Cash Flows, the Statements of Changes in Equity Attributable to Owners of the Parent Company 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 statement of Directors' responsibilities set out on page 52, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 51, in relation to going concern;
- the parts of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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

5 March 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011 Pre-exceptional items £'000	2011 Exceptional items (note 5) £'000	2011 Total £'000	2010 Pre-exceptional items £'000	2010 Exceptional items (note 5) £'000	2010 Total £'000
Revenue	3	**7,718**	**–**	**7,718**	11,153	–	11,153
Cost of sales (charge)/credit	7	**(555)**	**–**	**(555)**	593	–	593
Gross profit		**7,163**	**–**	**7,163**	11,746	–	11,746
Research and development costs	7	**(14,710)**	**(3,136)**	**(17,846)**	(15,931)	(3,949)	(19,880)
Administrative expenses	7	**(3,811)**	**–**	**(3,811)**	(3,919)	–	(3,919)
Other operating income: grants receivable		**56**	**–**	**56**	42	–	42
Operating (loss)/profit		**(11,302)**	**(3,136)**	**(14,438)**	(8,062)	(3,949)	(12,011)
Finance income	6	**144**	**–**	**144**	222	–	222
Finance costs	6	**(8)**	**–**	**(8)**	(15)	–	(15)
Loss before tax		**(11,166)**	**(3,136)**	**(14,302)**	(7,855)	(3,949)	(11,804)
Taxation	8	**1,671**	**–**	**1,671**	1,514	–	1,514
Loss for the year	25	**(9,495)**	**(3,136)**	**(12,631)**	(6,341)	(3,949)	(10,290)
Other comprehensive income							
Exchange adjustments		**(2)**	**–**	**(2)**	(4)	–	(4)
Total recognised comprehensive expense for the year attributable to owners of the parent		**(9,497)**	**(3,136)**	**(12,633)**	(6,345)	(3,949)	(10,294)
Basic loss and diluted loss per ordinary share	9			**(1.35p)**			(1.89p)

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 2011

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Assets					
Non-current assets					
Intangible assets	11	**3,106**	6,683	**–**	–
Property, plant and equipment	12	**4,213**	580	**–**	–
Financial assets: Investments in subsidiaries	13	**–**	–	**33,115**	29,976
		7,319	7,263	**33,115**	29,976
Current assets					
Trade and other receivables	14	**2,800**	4,795	**1**	792
Current tax assets		**1,641**	1,331	**–**	–
Financial assets: Available for sale investments	15	**7,500**	5,603	**–**	–
Cash and cash equivalents	15	**6,835**	6,653	**–**	2
		18,776	18,382	**1**	794
Current liabilities					
Trade and other payables	16	**3,226**	3,923	**46**	638
Deferred income	17	**4,386**	5,201	**–**	–
Current tax liabilities		**–**	11	**–**	–
Provisions	18	**41**	83	**–**	–
		7,653	9,218	**46**	638
Net current assets/(liabilities)		**11,123**	9,164	**(45)**	156
Non-current liabilities					
Other non-current liabilities		**–**	123	**–**	–
Deferred income	17	**170**	4,201	**–**	–
Provisions	18	**501**	498	**–**	–
		671	4,822	**–**	–
Net assets		**17,771**	11,605	**33,070**	30,132
Equity attributable to owners of the parent					
Ordinary shares	21	**9,449**	5,449	**9,449**	5,449
Share premium	24	**124,755**	110,387	**124,755**	110,387
Merger reserve	26	**14,310**	14,310	**13,599**	13,599
Other reserves	26	**(682)**	(680)	**4,302**	3,871
Retained losses	25	**(130,061)**	(117,861)	**(119,035)**	(103,174)
Total equity		**17,771**	11,605	**33,070**	30,132

The Company's registered number is 03252665.

The financial statements on pages 60 to 89 were approved by the Board of Directors on 5 March 2012 and were signed on its behalf by:

John Dawson
Chief Executive Officer

Statements of Cash Flows

for the year ended 31 December 2011

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Cash flows from operating activities					
Cash used in operations	27	**(14,323)**	(15,289)	**(139)**	(175)
Interest paid		**–**	(1)	**–**	–
Tax credit received		**1,418**	2,508	**–**	–
Overseas tax paid		**(78)**	(46)	**–**	–
Net cash used in operating activities		**(12,983)**	(12,828)	**(139)**	(175)
Cash flows from investing activities					
Loan (to)/from subsidiary		**–**	–	**(18,433)**	182
Proceeds from sale of property, plant and equipment		**–**	2	**–**	–
Proceeds from sale of fixed asset investments		**–**	36	**–**	–
Purchases of property, plant and equipment		**(3,640)**	(291)	**–**	–
Purchases of intangible assets		**(9)**	(266)	**–**	–
Net (purchase)/maturity of available for sale investments		**(1,897)**	12,897	**–**	–
Net cash (used in)/generated from investing activities		**(5,546)**	12,378	**(18,433)**	182
Cash flows from financing activities					
Interest received		**144**	309	**–**	–
Proceeds from issue of ordinary share capital		**20,000**	210	**20,000**	210
Costs of share issues		**(1,430)**	(216)	**(1,430)**	(216)
Net cash generated from/(used in) financing activities		**18,714**	303	**18,570**	(6)
Net increase/(decrease) in cash and cash equivalents		**185**	(147)	**(2)**	1
Cash and cash equivalents at 1 January		**6,653**	6,802	**2**	1
Effects of exchange rate changes		**(3)**	(2)	**–**	–
Cash and cash equivalents at 31 December	15	**6,835**	6,653	**–**	2

Statements of Changes in Equity Attributable to Owners of the Parent

for the year ended 31 December 2011

Group	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained losses £'000	Total £'000
At 1 January 2010		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**
Year ended 31 December 2011:							
Exchange adjustments		**–**	**–**	**–**	**(2)**	**–**	**(2)**
Loss for the year		**–**	**–**	**–**	**–**	**(12,631)**	**(12,631)**
Total comprehensive expense for the year		**–**	**–**	**–**	**(2)**	**(12,631)**	**(12,633)**
Transactions with owners:							
Share options							
Value of employee services	23	**–**	**–**	**–**	**–**	**431**	**431**
Issue of shares excluding options	21, 24	**4,000**	**16,000**	**–**	**–**	**–**	**20,000**
Costs of share issues	24	**–**	**(1,632)**	**–**	**–**	**–**	**(1,632)**
At 31 December 2011		**9,449**	**124,755**	**14,310**	**(682)**	**(130,061)**	**17,771**

Company	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Retained losses £'000	Total £'000
At 1 January 2010		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**
Year ended 31 December 2011:							
Loss for the year		**–**	**–**	**–**	**–**	**(15,861)**	**(15,861)**
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**(15,861)**	**(15,861)**
Transactions with owners:							
Share options							
Credit in relation to employee share schemes	26	**–**	**–**	**–**	**431**	**–**	**431**
Issue of shares excluding options	21, 24	**4,000**	**16,000**	**–**	**–**	**–**	**20,000**
Costs of share issues	24	**–**	**(1,632)**	**–**	**–**	**–**	**(1,632)**
At 31 December 2011		**9,449**	**124,755**	**13,599**	**4,302**	**(119,035)**	**33,070**

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 49 to 52 the going concern basis has been adopted in preparing the financial statements.

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 01 to 03 and 06 to 07), the Chairman's Message (page 04), the Chief Executives' Review (page 08), the Operational Review on pages 18 to 29, interview with the Chief Scientific Officer (pages 30 to 31) and the Principal Risks and Uncertainties on pages 42 to 43. The financial position of the Group, including its cash flows, is described in the financial review on pages 33 to 39. 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 estimate that the cash held by the Group will be sufficient to support the current level of activities into the first quarter of 2013. Based on anticipated progress in the business in 2012, the directors also expect to secure additional financing sufficient for the future needs of the business beyond the first quarter of next year. However, there is no certainty that adequate resources will be available on a timely basis, and in the event that further funding is not achieved, then the Group would have to curtail or suspend the existing programme development.

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.

Accounting developments

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 and are considered to have an impact on the Group.

— 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.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Group.

— 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. There have been no rights issued denominated in a foreign currency and so this will have no impact on the Group.

— 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009 is effective for annual periods beginning 1 January 2011. The standard is not applicable to the Group as there is no defined benefit pension scheme.

— 'Extinguishing financial liabilities with equity instruments' (Amendment to IFRIC 19). The standard is not applicable to the Group as no renegotiation of terms with creditors has taken place.

— 'First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters (Amendment to IFRS 1). This is not applicable to the Group as it is not a first-time adopter of IFRS.

— Improvements to International Financial Reporting Standards 2010, effective 1 January 2011.

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 2011 and have not been adopted early:

— 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.

— IAS 19, 'Employee benefits' was amended in June 2011. The standard is not applicable to the Group as there is no defined benefit pension scheme.

— IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group has assessed that this will not impact the entities which are consolidated. The standard is not applicable until 1 January 2013 but is available for early adoption.

— IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable to the Group.

— IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard is not applicable to the Group.

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 the impairment of tangible and intangible assets have the greatest risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Revenue recognition

In 2009 the Group received an up-front non-refundable payment of US$26.0 million (£16.6 million) from Sanofi 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). Obtaining data from clinical trials will be a key factor in achieving the expected time-lines. Estimating the start-date and duration of clinical trials is subject to many factors, including the time taken to get regulatory approval and the rate of patient recruitment, so such estimates are inherently risky. Up to 31 December 2011, revenue of £12.4 million has been recognised in respect of the initial payment for this collaboration, with the remaining £4.2 million classified as deferred income. If the revenue recognition periods had been six months longer, the amount of revenue recognised in 2011 would have been reduced by £0.6 million (2010: £0.6 million) and the amount of deferred income carried forward at 31 December 2011 increased by £1.5 million (2010: £1.0 million). Had the revenue recognition period been six months shorter, the amount of revenue recognised in 2011 would have been increased by £0.8 million (2010: £0.8 million) and the amount of deferred income carried forward at 31 December 2011 decreased by £2.0 million (2010: £1.3 million).

Over the term of the ocular product collaboration with Sanofi, Oxford BioMedica may recover up to US$24.0 million in research and development funding and recognise this as revenue. Project costs in excess of US$24.0 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 2011 £11.4 million (2010: £8.7 million) had been recognised as revenue and £0.4 million (2010: £0.5 million) had been classified as current deferred income. If the estimated total project expenditure had been 5% higher, the amount of revenue recognised to 31 December 2011 would have been £0.6 million (2010: £0.4 million) lower and the amount of deferred income higher by the same amounts.

Intangible asset impairment

The Group has significant intangible assets arising from purchases of intellectual property rights and in-process R&D. Amortisation is charged over the assets' patent life on a straight line basis from the date that the asset becomes available for use. When there is an indicator of a significant and permanent reduction in the value of intangible assets, an impairment review is carried out. The impairment analysis is principally based on estimated discounted future cash flows. Actual outcomes could vary significantly from such estimates of discounted future cash flows, due to the sensitivity of the assessment to the assumptions used. The determination of the assumptions is subjective and requires the exercise of considerable judgement. Any changes in key assumptions about the Group's business and prospects or changes in market conditions affecting the Group or its development partners could materially affect the amount of impairment. This risk is now concentrated on purchased patent rights which have been sublicensed to collaborative partners. At 31 December 2011 the book value of intangible assets was £3.1 million of which £2.2 million related to PrimeBoost technology. In respect of intellectual property rights and in-process R&D relating to Hi-8® MEL, following a marketing initiative that did not result in securing a partner, an impairment charge of £3.1 million was recognised in 2011, writing the Hi-8® MEL asset down to zero.

Manufacturing facility carrying value
The Group acquired a new manufacturing facility in 2011 at a cost of £1.9 million and has incurred capitalisable refurbishment costs of £1.2 million giving a book value of £3.1 million. Prior to purchasing the plant, the Group obtained an independent valuation and an indication of a 'fire-sale' price if the manufacturing plant was to be stripped out and the building sold as a shell which was substantially less than the year end carrying value. However, the Directors consider that the book value is supported on a value-in-use basis as the costs of in-house manufacture of LentiVector® platform batches is very substantially lower than the cost of purchasing them from a third-party contract manufacturer. The value in use calculation is based on an assumed output of 19 batches over the next 4 years. The number of batches is dependent on the progress of the Company and its collaborations and so is inherently uncertain. However the plant only needs to operate at approximately 50% of its capacity, for forecast savings to support the value in use and carrying value of the facility.

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 income where cash received exceeds revenue recognised and as accrued income 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 in 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. Current operations are financed from its own cash resources. 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. 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. The following characteristics would lead to classification as a finance lease:

— 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 any costs attributable to bringing the asset to its working condition for its intended use such as refurbishment costs.

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

Manufacturing assets including freehold property	10%
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 receivable 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. After initial recognition, available for sale investments are measured at their fair value.

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 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 deferred income.

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 receivable.

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 and transactions
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 and the Group's functional and 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 2011, 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 £10,000 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 Sterling been 10% weaker in relation to the Euro, the increased cost in 2011 would have been approximately £224,000.

(b) Interest rate risk
The Group does not have any committed borrowing facilities. Current operations are financed from its own cash resources. The Group's policy is to maximise interest receivable on deposits, subject to maintaining access to sufficient liquid funds to meet day to day operational requirements, and preserving the security of invested funds. With the current low level of bank interest rates, interest receivable on bank deposits in 2011 was just £144,000 (2010: £213,000).

If interest rates had been 100 basis points higher/lower in 2011, the impact on net loss in 2011 would have been a decrease/increase of £111,000 (2010: £164,000) 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.

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. Future working capital is expected to be provided by commercial collaborations and licensing transactions. Licensing transactions 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 timely or 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 consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

(e) Pricing risk
Currently the Group's revenue derives from collaboration milestones and reimbursement of funded research and development, which should not be sensitive to pricing risk. The ocular research and development collaboration with Sanofi is subject to an overall cap of US$24 million, which means that if the relevant costs escalate from the levels currently anticipated, the Group would suffer future losses equal to the amount of cost escalation.

(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 2011 or 31 December 2010, 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), comprising the executive directors and other key members of management. 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 consolidated 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	2011 £'000	2010 £'000
Europe	**7,379**	10,347
United States of America	**339**	806
Total revenue	**7,718**	**11,153**

Revenue attributable to the ocular collaboration with Sanofi was £7,316,000 (2010: £10,286,000).

No revenue has its destination in the United Kingdom.

4, Employees and Directors

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

By activity	2011 Number	2010 Number
Office and management	**10**	11
Research and development	**76**	62
Total	**86**	73

Employee benefit costs	2011 £'000	2010 £'000
Short term employee benefits	**4,955**	4,916
Post-employment benefits (note 28)	**329**	296
Termination benefits	**47**	35
Share based payments (note 23)	**431**	542
Total employee benefit costs	**5,762**	5,789

Key management compensation	2011 £'000	2010 £'000
Short term employee benefits	**2,264**	2,557
Post-employment benefits	**150**	151
Termination benefits	**–**	30
Share based payments	**326**	403
Total	**2,740**	3,141

The key management figures above include executive and non-executive Directors, as well as the rest of the Senior Management Group . Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 53 to 58, which forms part of these financial statements.

The Company had no employees during the year (2010: 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	2011 £'000	2010 £'000
Exceptional research and development costs	**3,136**	3,949

In 2010, following a review of the carrying value of intangible assets, the Directors made a provision for impairment of £3,949,000 covering the product Hi-8® MEL. In 2011, at the conclusion of a divestment process which did not secure a partner for Hi-8® MEL, the residual carrying value of £3,136,000 was impaired.

6, Finance income and expense

Group	2011 £'000	2010 £'000
Finance income:		
Bank interest receivable	**144**	213
Other interest receivable	**–**	9
Total finance income	**144**	222
Finance expense:		
Unwinding of discount in provisions (note 18)	**(8)**	(14)
Other interest payable	**–**	(1)
Total finance expense	**(8)**	(15)
Net finance income	**136**	207

7, Expenses by nature

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Excluding exceptional items:				
Cost of sales (royalties payable) – net charge/(credit)	**555**	(593)	**–**	–
Employee benefit costs (note 4)	**5,762**	5,789	**–**	–
Consumables used	**1,211**	1,013	**–**	–
Depreciation of property, plant and equipment (note 12)	**336**	345	**–**	–
Amortisation and impairment (note 11)	**450**	699		
Impairment of investment (note 13)			**15,275**	31,522
Loss on disposal of property, plant and equipment	**–**	2	**–**	–
Loss on disposal of intangible asset	**–**	17	**–**	–
Profit on sale of fixed asset investment	**–**	(36)	**–**	–
Repairs and maintenance expenditure on property, plant and equipment	**263**	246	**–**	–
Operating lease payments	**1,123**	1,122	**–**	–
Rental income from sublease	**(482)**	(481)	**–**	–
Consultants and subcontracted research	**687**	372	**–**	–
Externally contracted clinical and pre-clinical development	**4,766**	7,077	**–**	–
Legal and professional fees including patent costs	**1,693**	1,555	**128**	143
Net gain on foreign exchange	**(21)**	(102)	**–**	–
Other expenses	**2,733**	2,232	**8**	9
Total before exceptional items	**19,076**	19,257	**15,861**	31,674
Exceptional items:				
Impairment of intangible assets	**3,136**	3,949	–	–
Total cost of sales, research and development and administrative expenses	**22,212**	23,206	**15,861**	31,674

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

	Group		Company	
	2011	2010	**2011**	2010
Services provided by the Group's auditors	**£'000**	£'000	**£'000**	£'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	**44**	37	**52**	37
Fees payable to the Company's auditors and its associates for other services:				
The audit of the Company's subsidiaries pursuant to legislation	**38**	29	**–**	-
Other services pursuant to legislation	**11**	28	**5**	18
Taxation	**23**	22	**1**	-
Expenses of share issue[1]	**–**	170	**–**	170
Total	**116**	286	**58**	225

1. In 2010 the Company incurred costs of £170,000 with PricewaterhouseCoopers LLP (classified as prepayments at 31 December 2010, and charged as costs of share issues in 2011) 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 2011 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 2011 have not yet been agreed with the relevant tax authorities.

	Group	
	2011	2010
Continuing operations	**£'000**	£'000
Current tax		
United Kingdom corporation tax research and development credit	**(1,641)**	(1,331)
Overseas taxation	**58**	70
	(1,583)	(1,261)
Adjustments in respect of prior periods		
United Kingdom corporation tax research and development credit	**(87)**	(239)
Overseas taxation	**(1)**	(14)
Taxation credit	**(1,671)**	(1,514)

The Company has no tax liability, nor is it entitled to tax credits (2010: nil).

The tax credit for the year is lower (2010: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Loss on ordinary activities before tax	**(14,302)**	(11,804)	**(15,861)**	(31,674)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	**(3,790)**	(3,305)	**(4,203)**	(8,869)
Effects of:				
Accelerated tax depreciation and other timing differences	**979**	1,269	**–**	–
Expenses not deductible for tax purposes (includes impairment of investments in subsidiaries)	**45**	11	**4,167**	8,827
R&D relief mark-up on expenses	**(1,949)**	(1,608)	**–**	–
Difference in rate relating to R&D tax credits	**1,766**	1,331	**–**	–
Tax deduction for share options less than share option accounting charge	**174**	263	**–**	–
Overseas tax	**5**	5	**–**	–
Tax losses carried forward to future periods	**1,207**	750	**36**	42
Overseas tax difference in rate	**(20)**	23	**–**	–
Adjustments in respect of prior periods	**(88)**	(253)	**–**	–
Current tax credit for the year	**(1,671)**	(1,514)	**–**	–

At 31 December 2011, the Group had tax losses to be carried forward of approximately £87.3 million (2010: £83.0 million) of which £82.6 million has been agreed with the revenue authorities. Of the Group tax losses, £87.3 million (2010: £83.0 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 in issue during the year ended 31 December 2011 (935,012,543; 2010: 543,924,620).

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 £15,861,000 (2010: £31,674,000). The loss includes a charge of £15,725,000 (2010: £31,522,000) for impairment of investments in subsidiaries.

11, Intangible assets

Group	In-process R&D £'000	Intellectual property rights £'000	Total £'000
Cost			
At 1 January 2011	10,400	5,289	15,689
Additions	–	9	9
At 31 December 2011	**10,400**	**5,298**	**15,698**
Accumulated amortisation and impairment			
At 1 January 2011	7,238	1,768	9,006
Amortisation charge for the year	114	336	450
Impairment provided in the year	3,048	88	3,136
At 31 December 2011	**10,400**	**2,192**	**12,592**
Net book amount at 31 December 2011	**–**	**3,106**	**3,106**
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**

For intangible assets regarded as having a finite useful life amortisation commences when products underpinned by the intellectual property rights become available for use. Amortisation is calculated on a straight line basis over the remaining patent life of the asset.

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

In-process R&D relates to the product Hi-8® MEL acquired as part of the acquisition of Oxxon Therapeutics Limited in 2007. During the year a process to divest Hi-8® MEL was concluded without securing a partner. The asset was fully impaired with a charge of £3,136,000 (2010: charge of £3,949,000).

Impairment losses are recognised for the amount by which each asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset is no longer being developed by the Company sales value less cost to sell is used as the recoverable amount. Value in use is calculated using estimated discounted future cash flows. Key assumptions in the discounted cash flow calculations are:

— The product is developed by a collaborative partner who funds all future development costs and markets the product.

— The Group receives an initial licence fee, milestone payments and royalties on sales.

— The cash flow projections include estimates for selling price, royalty rates, population growth, disease incidence and market penetration.

— The resulting cash receipts are discounted at 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.

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

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

The Company had no intangibles at 31 December 2011 or 31 December 2010.

12, Property, plant and equipment

Group	Freehold property £'000	Short leasehold improve-ments £'000	Office equipment and computers £'000	Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2011	–	2,966	441	2,913	6,320
Exchange adjustments	–	1	–	–	1
Additions at cost	3,115	44	214	596	3,969
Disposals	–	–	(49)	(193)	(242)
At 31 December 2011	**3,115**	**3,011**	**606**	**3,316**	**10,048**
Depreciation					
At 1 January 2011	–	2,716	351	2,673	5,740
Exchange adjustments	–	1	–	–	1
Charge for the year	45	93	86	112	336
Disposals	–	–	(49)	(193)	(242)
At 31 December 2011	**45**	**2,810**	**388**	**2,592**	**5,835**
Net book amount at 31 December 2011	**3,070**	**201**	**218**	**724**	**4,213**

	Short leasehold improvements £'000	Office equipment and computers £'000	Laboratory equipment £'000	Total £'000
Cost				
At 1 January 2010	2,864	395	2,859	6,118
Exchange adjustments	15	1	–	16
Additions at cost	137	61	99	297
Disposals	(50)	(16)	(45)	(111)
At 31 December 2010	**2,966**	**441**	**2,913**	**6,320**
Depreciation				
At 1 January 2010	2,597	292	2,598	5,487
Exchange adjustments	15	1	–	16
Charge for the year	154	72	119	345
Disposals	(50)	(14)	(44)	(108)
At 31 December 2010	**2,716**	**351**	**2,673**	**5,740**
Net book amount at 31 December 2010	**250**	**90**	**240**	**580**

On 25 February 2011 the Group purchased a freehold property in Oxford, UK comprising a manufacturing facility and associated offices and laboratories for £1,896,000 including costs of acquisition. The facility was previously approved by the Medicines and Healthcare products Regulatory Agency (MHRA) to Good Manufacturing Practice (GMP) standards. Oxford BioMedica has invested a further £1,219,000 on the building and £477,000 on plant and equipment in order to commission the facility, a process which was substantially complete by 31 December 2011.

The Company had no property, plant and equipment at 31 December 2011 or 31 December 2010.

13, Investment in subsidiaries

Fixed asset investments: company	2011 £'000	2010 £'000
Shares in group undertakings		
At 1 January and 31 December	**17,158**	17,158
Loans to group undertakings		
At 1 January	**110,423**	110,420
Loan advanced/(recovered) in the year	**18,433**	(182)
Subsidiary debt settled by issue of parent shares	**–**	185
At 31 December	**128,856**	110,423
Total investments in shares and loans to group undertakings	**146,014**	127,581
Impairment		
At 1 January	**101,476**	69,954
Impairment charge in the year	**15,725**	31,522
At 31 December	**117,201**	101,476
Net book amount at 31 December	**28,813**	26,105
Capital contribution in respect of employee share schemes (see note 26)		
At 1 January	**3,871**	3,329
Additions in the year	**431**	542
At 31 December	**4,302**	3,871
Total investments	**33,115**	29,976

The Group had no investments at 31 December 2011 (2010: 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 2011 a £15,725,000 impairment charge was recognised. Cumulative impairment of £117,201,000 was held at 31 December 2011.

14, Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Non-current				
Other receivables – rent deposit	**–**	150	**–**	–
Current				
Trade receivables	**154**	394	**–**	–
Accrued income	**33**	1,366	**–**	–
Other receivables	**256**	108	**–**	–
Other tax receivable	**858**	109	**–**	–
Prepaid costs of share issues	**–**	777	**–**	777
Prepaid clinical trial expenses	**493**	368	**–**	–
Prepayments	**1,006**	1,523	**1**	15
	2,800	4,645	**1**	792
Total trade and other receivables	**2,800**	4,795	**1**	792

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

At 31 December 2011 and 31 December 2010 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 £33,000 (2010: £1,366,000) relates to R&D funding receivable from Sanofi.

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 classified as prepaid costs of share issues at 31 December 2010 were recognised as costs of share issues in 2011.

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:

	2011 £'000	2010 £'000
Sterling	**1,841**	2,669
US Dollar	**959**	2,126
	2,800	4,795

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	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Cash at bank and in hand	**6,835**	6,653	**–**	2
Total cash and cash equivalents	**6,835**	6,653	**–**	2

In addition to the cash and cash equivalents described above, the Group held Sterling bank deposits of £7,500,000 (2010: £5,603,000) with a maturity of 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 2011 or 2010.

16, Trade and other payables – current

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Trade payables	**1,200**	1,277	**–**	–
Other taxation and social security	**161**	139	**–**	–
Accrued share issue costs	**–**	525	**–**	525
Accruals	**1,865**	1,982	**46**	113
Total trade and other payables	**3,226**	3,923	**46**	638

17, Deferred income

Group	**2011 £'000**	2010 £'000
Current	**4,386**	5,201
Non-current	**170**	4,201
Total deferred income	**4,556**	9,402

On 28 April 2009 the Group entered into a collaborative programme with Sanofi 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 £12,440,000 has been recognised under this collaboration, of which £4,665,000 was recognised in 2011. The remaining £4,201,000 is classified as deferred income. £4,031,000 is expected to be recognised as income in the next 12 months and is classified as current: the remaining £170,000 is classified as non-current.

Over the term of the ocular gene therapy collaboration, Oxford BioMedica may recover from Sanofi up to US$24 million in research and development funding. Project costs in excess of US$24 million will be borne by Oxford BioMedica. To date, £11,387,000 has been recognised as revenue, of which £2,651,000 was recognised in 2011. £355,000 (2010: £457,000) has been classified as current deferred income.

The Company had no deferred income in 2011 or 2010.

18, Provisions

Group	**Clinical trial £'000**	**Dilapidations £'000**	**Onerous lease £'000**	**Total £'000**
At 1 January 2011	–	457	124	581
Exchange adjustments	–	–	(2)	(2)
Utilised in the year	–	–	(82)	(82)
Unwinding of discount	–	7	1	8
Change of discount rate – adjustment to recognised fixed asset	–	37	–	37
At 31 December 2011	**–**	**501**	**41**	**542**
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**

	2011 £'000	2010 £'000
Current	**41**	83
Non-current	**501**	498
Total provisions	**542**	581

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 using the rate per the Bank of England nominal yield curve. The equivalent rate was used in 2010. 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 using the rate per the Bank of England nominal yield curve. The equivalent rate was used in 2010. The provision will be utilised over the term of the lease.

The Company had no provisions at 31 December 2011 or 31 December 2010.

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	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents (note 15)	**6,835**	6,653	**–**	–
Available for sale investments	**7,500**	5,603	**–**	–
Trade receivables and other receivables (note 14)	**410**	652	**–**	–
Trade and other payables excluding tax (note 16)	**–**	–	**3,065**	3,784
	14,745	12,908	**3,065**	3,784

All the available for sale investments held at 31 December 2011 and 31 December 2010 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.

	2011			2010		
	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	**1.48%**	**225 days**	**0.75%**	0.95%	118 days	1.31%
Euro	**1.25%**	**31 days**	**0.55%**	0.85%	31 days	0.49%
US Dollars	**0.65%**	**31 days**	**0.66%**	0.90%	31 days	0.46%

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 2011 or 31 December 2010.

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 2011 (2010: 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 March 2011 budget statement. The Finance Act 2011, which was substantively enacted on 29 March 2011, included legislation reducing the main corporation tax rate from 28 per cent to 26 per cent from 1 April 2011. The Finance (No. 2) Act 2011, which was substantively enacted on 5 July 2011, included legislation reducing the main corporation tax rate from 26 per cent to 25 per cent from 1 April 2012. The effects of these reductions 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 23 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 2011	295	(338)	(22,439)	(125)	(22,607)
Origination and reversal of temporary differences	(991)	(5)	611	65	(320)
At 31 December 2011	**(696)**	**(343)**	**(21,828)**	**(60)**	**(22,927)**
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)**

21, Called-up share capital

Group and Company **Issued and fully paid**	**2011 £'000**	2010 £'000
Ordinary shares of 1p each		
At 1 January – 544,875,557 (2010: 541,185,828) shares	**5,449**	5,412
Allotted for cash in placing and open offer – 400,000,000 (2010: Nil) shares	**4,000**	–
Allotted for cash to licensors of patent rights in 2010 – 1,699,876 shares	**–**	17
Allotted on exercise of share options in 2010 – 181,892 shares	**–**	2
Issued to settle an IP royalty liability in 2010 – 1,807,961 shares	**–**	18
At 31 December – 944,875,557 (2010: 544,875,557) shares	**9,449**	5,449

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 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. Costs of this share issue, including commission payable on completion, were £1,638,000.

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 2011 was as follows:

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

2011 Number of shares	2010 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
–	1,964,676	16.5p to 23.0p	26/03/07 to 29/11/07	26/03/11 to 29/11/11
1,853,999	1,853,999	20.25p to 43.25p	01/04/08 to 15/12/08	01/04/12 to 15/12/12
966,904	980,125	28.25p to 31.0p	21/03/09 to 06/09/09	21/03/13 to 06/09/13
2,820,903	4,798,800			

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

2011 Number of shares	2010 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
972,411	1,121,411	22.0p to 49.25p	08/03/10 to 14/12/10	08/03/17 to 14/12/17
1,422,107	1,681,307	5.75p to 22.5p	13/03/11 to 13/10/11	13/03/18 to 13/10/18
2,160,236	2,450,376	6.10p to 11.25p	25/03/12 to 08/10/12	25/03/19 to 08/10/19
2,566,803	2,923,421	9.50p to 9.69p	01/04/13 to 13/09/13	01/04/20 to 13/09/20
3,759,097	–	5.40p to 5.82p	15/03/14 to 04/10/14	15/03/21 to 04/10/21
10,820,654	8,176,515			

Options granted under the Oxford BioMedica Long Term Incentive Plan

2011 Number of shares	2010 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
1,150,000	2,875,000	1p	13/10/11	13/10/18
5,524,000	6,423,000	1p	25/03/12	25/03/19
5,568,000	6,106,000	1p	15/06/13	15/06/20
6,537,000	–	1p	13/04/14 to 07/09/14	13/04/21 to 07/09/21
18,779,000	18,756,088			

Options granted under individual contracts

2011 Number of shares	2010 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
–	3,865,194	43.0p to 51.0p	25/05/02 to 25/06/02	25/05/11 to 25/06/11
32,480,557	35,596,597			

Options granted to UK employees could give rise to a national insurance (NI) liability on exercise. For options granted up to October 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 from February 2007 there are no such employee undertakings, so an NI liability could arise on the exercise of the options. A provision of £4,000 (2010: £59,000) 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 3.50p (2010: 5.53p) 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 the share option scheme to make grants of options to new UK employees at approximately six-month intervals during their first three years of employment, and at the discretion of the Remuneration Committee, annually thereafter. Since the introduction of the LTIP in 2007, directors and certain senior managers are not eligible to participate in the share option 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.

LTIP awards made to date have been nil-cost options, exercisable at par on the third anniversary of the date of grant. Release of the LTIP awards depends on the satisfaction of performance conditions based on comparative total shareholder return against a comparator group of companies. The LTIP awards since June 2010 also have 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 2011 is as follows:

Share options	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 options granted 15.03.11 to 04.10.11
Share price at grant date	6.80p to 23.75p	6.08p to 11.75p	9.10p to 9.50p	4.76p to 5.38p
Exercise price	5.75p to 22.50p	6.10p to 11.25p	9.50p to 9.69p	5.40p to 5.82p
Vesting period (years)	3.00	3.00	3.00	3.00
Total number of shares under option	2,477,453	2,726,789	2,923,421	3,759,097
Expected volatility (weighted average)	71.2%	75.2%	76.0%	74.7%
Expected life (years, weighted average)	5.70	5.77	5.76	5.98
Risk free rate (weighted average)	4.33%	2.71%	2.41%	1.79%
Expected rate of forfeit before vesting (weighted average)	36.5%	26.4%	16.7%	16.2%
Fair value per option	4.75p to 14.79p	3.94p to 7.93p	6.00p to 6.28p	2.99p to 3.47p

LTIP awards	LTIP awards 13.03.08 and 13.10.08	LTIP awards 25.03.09	LTIP awards 15.06.10	LTIP awards 13.04.11 and 07.09.11
Share price at grant date	6.80p to 23.75p	6.08p	10.25p	5.60p to 5.61p
Exercise price	1.00p	1.00p	1.00p	1.00p
Vesting period (years)	3.00	3.00	3.00	3.00
Total number of shares under option	8,598,852	7,296,000	6,106,000	6,537,000
Expected volatility (weighted average)	69.0%	60.0%	89.1%	83.8%
Expected life (years)	3.00	3.00	3.00	3.00
Risk free rate (weighted average)	3.96%	2.11%	1.55%	1.73%
Expected rate of forfeit before vesting (weighted average)	27.6%	24.3%	8.8%	0.0%
Expectation of meeting performance criteria (weighted average)	78%	74%	83%	84%
Fair value per option	5.12p to 16.84p	3.90p	7.40p	3.93p to 4.05p

Before 2009, expected volatility for LTIP awards was based on historical share price volatility up to the date of grant. For LTIP awards since 2009 a volatility cone analysis has been 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 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 5.5p (2010: 9.5p). No options were exercised in 2011. The weighted average share price for options exercised during 2010 was 6.9p. The total charge for the year relating to employee share based payment plans was £431,000 (2010: £542,000), all of which related to equity-settled share based payment transactions. A reconciliation of movements in all options over the year to 31 December 2011 and an analysis of options outstanding at the year end are shown below.

	2011		2010	
Share options excluding LTIP	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	**16,840,509**	**25.9p**	16,166,141	28.3p
Granted	**3,759,097**	**5.5p**	2,923,421	9.5p
Expired	**(6,134,941)**	**39.3p**	(1,597,892)	26.7p
Forfeited	**(763,108)**	**9.7p**	(469,269)	11.3p
Exercised	**–**	**–**	(181,892)	6.9p
Outstanding at 31 December	**13,701,557**	**15.1p**	16,840,509	25.9p
Exercisable at 31 December	**5,215,421**	**27.0p**	9,785,405	37.2p
Exercisable and where market price exceeds exercise price at 31 December	**–**	**N/a**	–	N/a

LTIP awards (options exercisable at par value 1p)	2011 Number	2010 Number
Outstanding at 1 January	**18,756,088**	17,065,673
Granted	**6,537,000**	6,106,000
Expired	**(5,077,088)**	(2,754,003)
Forfeited	**(1,437,000)**	(1,661,582)
Outstanding at 31 December	**18,779,000**	18,756,088
Exercisable at 31 December	**1,150,000**	–

Range of exercise prices	2011 Weighted average exercise price	2011 Number of shares	2011 Weighted average remaining life (years) Expected	2011 Weighted average remaining life (years) Contractual	2010 Weighted average exercise price	2010 Number of shares	2010 Weighted average remaining life (years) Expected	2010 Weighted average remaining life (years) Contractual
LTIP:								
Exercisable at par	**1.0p**	**18,779,000**	**1.35**	**1.35**	1.0p	18,756,088	1.38	1.38
Options:								
Under 10p	**6.9p**	**7,393,832**	**4.77**	**8.90**	8.5p	4,137,680	4.89	9.13
10p to 20p	**10.6p**	**2,160,522**	**3.33**	**7.58**	11.0p	2,578,685	4.09	8.13
20p to 30p	**26.0p**	**2,403,463**	**0.77**	**1.73**	23.7p	4,418,210	1.27	2.06
30p to 40p	**33.5p**	**780,115**	**0.84**	**3.30**	34.0p	877,115	1.88	4.56
40p to 50p	**46.3p**	**963,625**	**0.87**	**3.55**	45.2p	1,466,785	1.12	3.15
50p to 60p	**–**	**–**	**–**	**–**	51.0p	3,362,034	0.39	0.39
Total including LTIP		**32,480,557**				35,596,597		

24, Share premium account

Group and Company	2011 £'000	2010 £'000
At 1 January	**110,387**	110,043
Premium on shares issued for cash in placing and open offer	**16,000**	–
Premium on shares issued in connection with an intellectual property purchase	**–**	180
Premium on shares issued during the year under share option schemes	**–**	11
Premium on shares issued to settle an IP royalty liability	**–**	167
Costs associated with the issue of shares	**(1,632)**	(14)
At 31 December	**124,755**	110,387

25, Retained losses

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 January	**(117,861)**	(108,113)	**(103,174)**	(71,500)
Loss for the year	**(12,631)**	(10,290)	**(15,861)**	(31,674)
Share based payments (note 23)	**431**	542	**–**	–
At 31 December	**(130,061)**	(117,861)	**(119,035)**	(103,174)

Neither the Company nor its subsidiary undertakings had reserves available for distribution at 31 December 2011 or 31 December 2010.

26, Other reserves

Group	Translation reserve £'000	Merger reserve £'000	Total £'000
At 1 January 2011	(680)	14,310	13,630
Exchange adjustments	(2)	–	(2)
At 31 December 2011	**(682)**	**14,310**	**13,628**
At 1 January 2010	(676)	14,310	13,634
Exchange adjustments	(4)	–	(4)
At 31 December 2010	**(680)**	**14,310**	**13,630**

The Group merger reserve at 31 December 2011 and 2010 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 2011	13,599	3,871
Credit in relation to employee share schemes	–	431
At 31 December 2011	**13,599**	**4,302**
At 1 January 2010	13,599	3,329
Credit in relation to employee share schemes	–	542
At 31 December 2010	**13,599**	**3,871**

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 £431,000 (2010: £542,000) (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 operations

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Continuing operations				
Loss before tax	**(14,302)**	(11,804)	**(15,861)**	(31,674)
Adjustment for:				
Depreciation	**336**	345	**–**	–
Amortisation of intangible assets	**450**	699	**–**	–
Loss on disposal of property, plant and equipment	**–**	2	**–**	–
Loss on disposal of intangible asset	**–**	17	**–**	–
Profit on disposal of fixed asset investment	**–**	(36)	**–**	–
Charge for impairment	**3,136**	3,949	**15,725**	31,522
Finance income	**(144)**	(222)	**–**	–
Finance expense	**8**	15	**–**	–
Charge in relation to employee share schemes	**431**	542	**–**	–
Changes in working capital:				
Decrease/(increase) in trade and other receivables	**1,229**	529	**14**	(13)
Decrease in trade and other payables	**(539)**	(4,059)	**(17)**	(10)
Decrease in deferred income	**(4,846)**	(4,363)	**–**	–
Decrease in provisions	**(82)**	(903)	**–**	–
Net cash used in operations	**(14,323)**	(15,289)	**(139)**	(175)

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 £329,000 (2010: £296,000) represents amounts payable by the Group to the scheme. Contributions of £40,000 (2010: £24,000), 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	**2011 £'000**	2010 £'000
Not later than one year	**953**	765
Later than one year and not later than five years	**2,031**	2,802
Later than five years	**–**	156
Total lease commitments	**2,984**	3,723
Total future minimum sublease payments receivable	**255**	749

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 £41,000 (2010: £124,000) has been made for the expected rental shortfall under this lease (see note 18).

The Company had no operating lease commitments during the year (2010: none).

30, Contingent liabilities and capital commitments

The Group had commitments of £112,000 for capital expenditure for leasehold improvements, plant and equipment not provided in the financial statements at 31 December 2010 (2010: £100,000).

31, Events after the balance sheet date

In January 2012 management decided to reduce costs by making 14 Oxford-based staff redundant with effect from the end of February 2012 (12 staff) and April 2012 (2 staff). It was also decided to close the US office which will lead a further two redundancies by June 2012.

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	2011 £'000	2010 £'000
Purchases:		
Parent company expenses paid by subsidiary	**(1,501)**	(392)
Transactions involving Parent Company shares:		
Proceeds of parent company share issues received by subsidiary	**–**	197
Subsidiary royalty liability settled by issue of parent company shares	**–**	185
Proceeds of subsidiary employee share sales received by parent	**–**	(2)
Cash management:		
Cash loaned by parent to subsidiary	**19,934**	15

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	2011 £'000	2010 £'000
Loan to subsidiary	**128,856**	110,423

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 £4,302,000 (2010: £3,871,000).

There were no transactions (2010: none) with Oxxon Therapeutics Limited.

Transactions with Directors and connected persons

In addition to his fees as a Director up to the date of his resignation, Dr Alan Kingsman (former Chairman) was paid a consultancy fee of £77,083 in 2011 (2010: £75,000).

There were no outstanding balances in respect of transactions with Directors and connected persons at 31 December 2011 (2010: none).

Key person remuneration can be seen in the Directors' Remuneration Report on pages 53 to 58.

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-angio-genesis; 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 disease
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 type 1B
UshStat® is a gene-based therapy for the treatment of Usher syndrome type 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.

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

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 angio genesis, 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 pre-clinical 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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