Annual Report and Accounts 2012

OxfordBioMedica

Discover. Realise.

Oxford BioMedica in brief

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

We have a unique contribution to make to healthcare

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

Operational and financial[1] highlights

1.Audited financial results

During 2012 we reported positive developments across our core clinical programmes, strengthened our LentiVector® technology platform and secured MHRA approval for our GMP manufacturing plant. Macroeconomic conditions remain challenging, however sentiment towards the biopharmaceutical sector is improving and we are seeing more interest than ever in personalised medicines and niche disease indications, all of which positions Oxford BioMedica well for further developments in the year ahead.

Sanofi ocular partnership nearing successful conclusion: US$53 million committed to date

- Options exercised for StarGen™ and UshStat® for a total of US$3 million
- Ground-breaking RetinoStat® data show sustained, dose-related protein expression; treatment of final patient cohort ongoing

LentiVector® platform evolution supports next generation of ocular gene therapies

- Growing clinical data set underscores confidence in the technology platform
- Pre-clinical evaluation of Glaucoma-GT ongoing to maximise proof of concept
- Planning underway for pre-clinical evaluation of four new ocular products

Manufacturing capability complements commercial strategy

- GMP facility approved to manufacture supplies for clinical studies
- In-house manufacturing and analytical development activities underway to secure future alliances
- Launch of OXB Solutions microsite to showcase leading GMP manufacturing and analytical competences (www.oxbsolutions.co.uk)

Pioneering ProSavin® Phase I/II study successfully met primary endpoints

- ProSavin® is safe, well-tolerated and mediates long-term improvement of motor function
- Non-clinical programme for dose optimisation on track

Industry collaborations validate Oxford BioMedica's 5T4 tumour antigen technology

- ImaginAb option exercise for 5T4-targeted *in vivo* diagnostic for cancer imaging
- Multiple presentations of 5T4-ADC programme by Pfizer at key industry conferences

£11.6m

Fundraising of £11.6 million completed in July 2012; net proceeds £10.1 million

£7.8m

Revenue of £7.8 million (2011: £7.7 million)

£14.0m

Research and development costs of £14.0 million (2011: £17.8 million)

£8.7m

Net loss of £8.7 million (2011: £12.6 million)

£10.5m

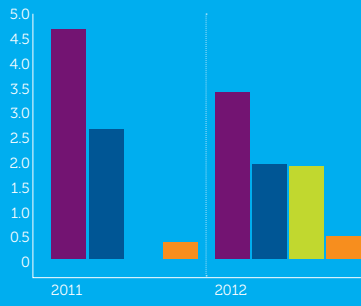
Net cash burn[2] of £10.5 million (2011: net cash burn[2] £16.5 million)

2. Net cash used in operating activities plus sales and purchases of non-current assets and interest received

£14.1m

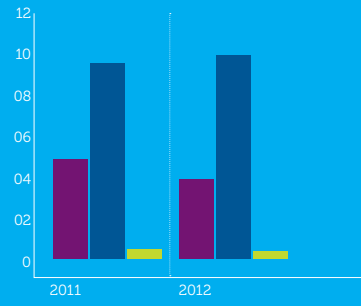
Net cash[3] of £14.1 million as at 31 December 2012 (2011: £14.3 million)

3. Cash, cash equivalents and available for sale investments



Revenue analysis £m

- Sanofi upfront
- Sanofi R&D
- Sanofi options
- Other



Research and development £m

- External
- Internal
- Amortisation

Chairman's message

Oxford BioMedica delivered another year of strong operational progress during 2012. Highlights included the MHRA approval of our manufacturing facility; Sanofi's US$3 million option exercise payment for StarGen™ and UshStat®; and the raising of a further £11.6 million. These developments highlight our commitment to creating value in the business and we are grateful for the continued support from our shareholders.

Nick Rodgers
Chairman

Gene therapy is the future
In November 2012, the European Commission approved its first gene therapy product, Glybera®, to treat patients suffering from a rare disease. This key regulatory and industry milestone supports the future for gene therapy in major markets, particularly the US where a gene therapy product is yet to be licensed. We are seeing greater interest than ever in gene therapy and, with a leading gene therapy technology platform in terms of its design, manufacturing and clinical development status, I believe we are now very well-positioned to exploit the considerable effort that has been invested over a number of years.

Biotech is coming back...
The EU biotechnology sector as a whole gained 25.8% in 2012 (versus -33% in 2011) outperforming the larger pharmaceutical sector and the broader market indices *(source: Nomura Code European Biotechnology Index)*. Whilst this highlights the volatile nature of the sector, it also appears to underline increasingly positive investor sentiment. In terms of UK biotechnology, performance was not as strong, largely due to investors' continued aversion to risk. However, we are seeing signs of renewed interest in the sector and an opportunity for recognised technology leaders to prosper.

Finding tomorrow's treatments
The pressures on the healthcare industry continue, particularly given the resource constraints across payers, pharmaceutical companies and biotechnology innovators. With ageing populations and growing societies in emerging markets, the industry needs to accelerate medicines for diseases which impose a significant social burden, such as chronic and neurodegenerative conditions. It is exactly these sorts of indications which Oxford BioMedica can target with its LentiVector® platform product candidates.

Strategy commitment
Our strategy remains to build a financially self-sustaining company, based on our proprietary LentiVector® platform, targeting high value, fast growing markets such as ophthalmology. There is potential for four revenue streams: i) through the exploitation of our existing product portfolio, ii) by developing new product opportunities iii) by securing specialist manufacturing alliances and iv) by leveraging our intellectual property. In addition, the Board is continuing to seek out complementary acquisitions as a means to secure commercial success.

Board change
I am delighted that Martin Diggle joined the Board in October 2012 as a non-Executive Director. He has a wealth of financial investment experience across many sectors and through Vulpes Investment Management, of which he is a founder, he has been a supporter of a number of life sciences businesses. The Vulpes Life Sciences Fund is our largest shareholder and Martin brings a clear investor's perspective to the Board.

In conclusion
I believe that Oxford BioMedica has a unique contribution to make to healthcare and there is a great sense of pride in what we do within the Company. Our employees have once again made a considerable effort during 2012 and we are grateful for their contribution. We have some exciting prospects ahead and, with a highly-experienced team leading the evolution of the Company, I am confident that our science and our strategy will deliver.

Nick Rodgers
Chairman

Management team

1. 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

2. 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 multinational 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

3. 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

4. Peter Nolan
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

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Our strategy for success

Our strategy is to build and grow a financially self-sustaining company based on our proprietary LentiVector® platform targeting high value, rapidly expanding markets such as ophthalmology.

Our approach is underpinned by four core principles, against which we delivered many successes during 2012:

Manage risks and resources

Our aim is to ensure that Oxford BioMedica is an efficient, focused and resilient organisation. Pioneering innovation within the field of biotechnology comes with inherent risk, and our risk management processes are set out in the Governance Report. Our strategy is to mitigate both technical and financial risk through careful planning and management of projects and 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 LentiVector® platform products which we believe have the highest potential in the near-term.

There is potential for four revenue streams: i) exploiting our existing product portfolio, ii) developing new product opportunities iii) securing specialist manufacturing alliances and iv) leveraging our intellectual property.

Key achievements 2012

- Options exercised by Sanofi for StarGen™ and UshStat® for a total of US$3 million (future milestones/royalties)
- Fundraising of £11.6 million completed in July 2012; net proceeds £10.1 million
- Funding award of US$125,000 for UshStat® Phase I/IIa study from Foundation Fighting Blindness

Focus 2013

- Generate income from our manufacturing facility
- Seek funding from translational grant opportunities and charities
- Continue to strike a balance between growing the Company whilst also being careful with costs

Pursuing partners to help take programmes forward

With one of the broadest patent estates in our chosen fields, we are well-positioned to exploit the value of our products and intellectual property through strategic partnerships. Our progress to date reflects the importance of strong relationships and industry alliances in delivering success. We continuously seek ways to improve the value of our assets so as to increase the value of future partnerships. Examples include product optimisation for ProSavin®, biomarker development for TroVax® and furthering the development of Glaucoma-GT towards a first-in-man clinical study.

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 2012

- Sanofi exercised its options to acquire two exclusive worldwide licences for StarGen™ and UshStat®
- Collaborators at Cardiff University, Wales (UK) initiated a Phase II trial of TroVax® in colorectal cancer
- New master services agreement signed with Immune Design Corp. to leverage Oxford BioMedica's expertise in lentiviral vector clinical development
- ImaginAb exercised its option to acquire an exclusive worldwide licence for a 5T4-targeted *in vivo* diagnostic for cancer imaging

Focus 2013

- Secure new manufacturing alliances
- Complete non-clinical programme for enhanced ProSavin® construct
- Leverage relationships with key opinion leaders

Ensuring timely delivery of pipeline

Timely delivery is a core component of our 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. However, as with other biotechnology companies, forecasting product development timelines can be challenging – particularly as our product candidates are based on ground-breaking science and therefore unexpected delays may occur. 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 2012

- Pioneering ProSavin® Phase I/II study successfully met primary endpoint
- GMP facility approved by UK Medicines and Healthcare products Regulatory Agency (MHRA) to manufacture material supplies for clinical studies
- Ground-breaking RetinoStat® data reported which show sustained, dose-related protein expression
- Safety data from StarGen™ and UshStat® Phase I/IIa studies announced following positive reviews by Data Safety Monitoring Board (DSMB)

Focus 2013

- Complete RetinoStat® Phase I study
- Initiate pre-clinical development of the next generation of ocular product opportunities

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. For example, ophthalmology is a high growth market estimated to be worth €13.4 billion in 2011, increasing to €16 billion worldwide by 2016 *(source: Visiongain)*. There is strong demand for innovative products and Oxford BioMedica is in an increasingly strong position to develop a new wave of high value ocular products. In addition to organic growth, we remain alert to external opportunities for strategic corporate activity as a means to accelerate profitability.

Key achievements 2012

- Following the strategic acquisition of a plant in February 2011, attaining certification for specialist manufacturing capabilities provides a robust commercial arm to our business

Focus 2013

- Evaluate complementary acquisition opportunities

Chief Executive Officer's review

I am pleased to report that we achieved many operational successes during 2012 – our clinical ophthalmology programmes continued to deliver positive results, we completed the ProSavin® Phase I/II study in Parkinson's disease and we received MHRA approval for our manufacturing plant. In addition, we received option exercise payments from Sanofi and ImaginAb, signed a new master services agreement with Immune Design Corp. and received a funding award for UshStat® from Foundation Fighting Blindness. Our progress to date reflects the importance of strong relationships and industry alliances in delivering success.

John Dawson
Chief Executive Officer

Portfolio progress
We continue to build a leading position within the field of ophthalmology. Our landmark ocular partnership with Sanofi is starting to generate milestone revenues following the option exercise payment received for StarGen™ and UshStat®. Treatment of the final RetinoStat® patient cohort is underway; we are extremely encouraged by the results to date and, should Sanofi choose to exercise its option for RetinoStat® during 2013, we are eligible to receive a substantial milestone payment. We are also privileged to be working with Mayo Clinic, a global leader in medical research, to develop Glaucoma-GT; a novel gene therapy for chronic glaucoma. As a recognised technology pioneer, we are well-placed to leverage our expertise to exploit new opportunities and planning is underway for the pre-clinical evaluation of a tranche of new ocular product candidates. The ProSavin® Phase I/II study successfully met its primary endpoint and we are currently evaluating a more potent product construct to ensure the greatest chance of success in Phase II studies.

Proprietary manufacturing
We successfully attained GMP certification for our state-of-the-art facilities in June 2012, just 16 months after the acquisition. The MHRA conducted inspections in March and May 2012 to evaluate whether our processes, facilities and quality management systems were in accordance with EU GMP standards. This is an impressive achievement for a company of our size and I express my sincere thanks to everyone involved. Our specialist manufacturing capabilities provide a robust commercial arm to our business - not only to deliver significant operational and cost efficiencies for our internal programmes but also to generate revenue from new alliances.

Partnering initiatives
Since we cannot fund the development of all our portfolio product opportunities, we continuously seek ways to improve the value of our assets so as to increase the value of future partnerships. Examples include the ongoing dose optimisation for ProSavin® and, for TroVax®, the UK investigator-led Phase II studies which will further validate use of the biomarker to predict those patients who are likely to benefit. We also continue to move Glaucoma-GT towards a future first-in-man clinical study.

Financial management
Cash, cash equivalents and available for sale investments were £14.1 million at 31 December 2012 and we have sufficient financial resources to fund the business until Q1 2014. This does not take into account the significant potential milestone payment should Sanofi elect to exercise its option for RetinoStat® during 2013, nor does it factor in potential revenue from manufacturing or product partnerships.

Outlook
The continued success of the ocular products partnered with Sanofi, our confidence in the LentiVector® platform, and our manufacturing capability underline our belief that our strategy should be founded on the development of ophthalmology products and the exploitation of our manufacturing and technical expertise. We are resolutely focused on turning Oxford BioMedica into a company that is financially self-sustaining. To this end, in 2013 our goals are to complete the RetinoStat® Phase I study, generate income from our manufacturing facility and initiate pre-clinical development of the next generation of ocular product opportunities.

John Dawson
Chief Executive Officer

Gene therapy at a glance

Gene therapy has the potential to create medicines and treatments that could improve life for millions of people worldwide.

What is gene therapy?

Gene therapy is a technique which arms the body with its own biological ammunition to fight disease.

Deoxyribonucleic acid (DNA) is a complex chemical that carries genetic information. Genes are specific units of DNA which encode instructions on how to make proteins; the building blocks which cells in the body require to function properly. Examples of proteins include enzymes, hormones and antibodies.

There are several gene therapy approaches in development such as:

- Inserting a healthy copy of a gene to address a mutated gene that causes disease
- Inactivating, or "knocking out", a mutated gene that is functioning improperly (gene silencing)
- Introducing a new gene, or genes, into specific cells within the body to help fight a disease

One of the most common forms of gene therapy involves inserting healthy genes into specific cells within a patient who has inherited a faulty copy of the gene. For example, StarGen™ inserts the healthy ABCR gene into the retina of patients with Stargardt disease and, similarly, UshStat® delivers a healthy MYO7A gene to treat patients with Usher syndrome type 1B.

How does it work?

In order to deliver the functional gene into the target cells such as the eye, for example, the gene needs to be carried by a "vector" which can enter the cell without causing any damage. Viruses have spent millions of years living in human cells and have adapted to be able to grow and replicate (i.e. make more of themselves) very well. Using a type of virus called a lentivirus, our scientists have hijacked the virus' ability to get into target cells in order to deliver a significant amount of genetic information safely and very efficiently.

Using a lentivirus called equine infectious anaemia virus (EIAV), we strip out the virus' ability to replicate and then insert the desired genetic payload into this vector. Once administered directly to the target tissue in the patient, the shell of the virus knows what to do:

1. It provides the mechanism for entry into the target cell across the cell surface membrane
2. It takes the DNA gene(s) into the nucleus; the control centre which contains the cell's own DNA
   - Lentiviruses are specifically adapted to perform this task efficiently in non-dividing cells such as retinal cells in the eye or neurons in the brain
3. The vector inserts the genetic payload into the cell's DNA sequence
4. The viral shell is naturally degraded away
5. The newly-inserted gene(s) is then able to make a new protein product to target disease or produce a molecule that inactivates a mutated gene

Future development

In November 2012 the European Commission approved its first gene therapy product, Glybera®, to treat patients with lipoprotein lipase deficiency.

Only two other gene therapy products are approved for use: Gendicine™ in China (for cancer) and Neovasculgen in Russia (for peripheral arterial disease). Gene therapy offers a long-lasting treatment from a single administration and, although still very much in development, scientific breakthroughs continue to move this technology towards mainstream medicine.

Product pipeline

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.

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.

Technology platform	**Product** (partner/funding)
LentiVector® Ophthalmology	**RetinoStat®** (Sanofi) Gene-based treatment for neovascular "wet" age-related macular degeneration (AMD) which aims to preserve and improve vision.
	StarGen™ (Sanofi) Gene-based treatment for Stargardt disease, which delivers a healthy 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.
	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.
LentiVector® Central Nervous System	**ProSavin®** Gene-based treatment for Parkinson's disease which converts cells into a dopamine "factory", thus replacing the patient's own lost source of dopamine.
	MoNuDin® (UK Motor Neurone Disease Association) Gene-based treatment for motor neuron disease used to prevent further degeneration of the motor neurons and potentially restore motor function.
5T4 Tumour Antigen Cancer	**TroVax®** (Cardiff University) 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) A 5T4-targeted antibody-drug conjugate (ADC) which binds to 5T4 on the surface of cancerous cells. Once bound, the complex is internalised by the tumour cell, the anti-cancer agent is released from the antibody, and the free drug kills the cancerous cell.

Indication	Stage of development
"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
Parkinson's disease	Phase I/II trial completed
Motor neuron disease	Research
Colorectal cancer	Phase II trial ongoing
Cancer	Pre-clinical

The European Commission approved its first gene therapy product to treat patients suffering from an orphan disease in 2012. An industry milestone which supports the potential of gene therapy.

Ophthalmology is a high growth market estimated to be worth €16 billion worldwide by 2016. As confidence in gene therapy grows, we are well-positioned to fight ocular disease with the next generation of high value gene-based medicines.

Operational review
LentiVector® platform development

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 eye and the central nervous system. It is anticipated that a single application of a LentiVector® platform product could provide long-term or potentially permanent efficacy. The Company's product candidates benefit from a common manufacturing platform, which can facilitate accelerated development and regulatory strategies. With strong industry alliances, a growing clinical data set and a favourable safety profile, the LentiVector® platform is increasingly recognised as a leading platform to fight chronic disease.

Ocular portfolio

Revenue-generating ocular collaboration: US$53 million committed by Sanofi to date
In April 2009, Oxford BioMedica became the first company to establish a lentiviral vector multi-product alliance with a large pharmaceutical company. The Sanofi partnership comprises four LentiVector® platform product candidates for four ocular indications: RetinoStat® for "wet" age-related macular degeneration (AMD); StarGen™ for Stargardt disease; UshStat® for Usher syndrome type 1B; and EncorStat® for corneal graft rejection. The agreement included an upfront receipt of US$26 million and up to US$24 million in development funding over the initial phase of development.

Options exercised for StarGen™ and UshStat® for a total of US$3 million
In June 2012, Sanofi elected to exercise its options under the 2009 agreement to acquire exclusive worldwide licences for further development, manufacture and commercialisation of StarGen™ and UshStat®. Oxford BioMedica received the aggregate option exercise payments of US$3 million in July 2012 and is eligible for further development and commercialisation milestone payments and royalties on any future sales of the products. Oxford BioMedica is currently conducting the ongoing Phase I/IIa trials for StarGen™ and UshStat®. The companies continue to work together to plan the next stages of development and finalise the terms of the worldwide licence agreements.

Ground-breaking RetinoStat® data show sustained, dose-related protein expression
Oxford BioMedica delivered data from its Phase I study in "wet" age-related macular degeneration (AMD) throughout 2012. The first results were announced at the 2012 Annual Meeting of the Association for Research in Vision and Ophthalmology (ARVO), the largest and most respected eye and vision research organisation in the world. The ongoing study is led by Professor Peter Campochiaro at the Wilmer Eye Institute at Johns Hopkins, Baltimore (USA) and Oxford BioMedica opened a second clinical site in August 2012 at the Oregon Health & Science University, Portland (USA) with Dr Andy Lauer as Principal Investigator. The latest highlights from the trial include:

- favourable, long-term safety profile now up to 19 months post-treatment (dose level 1);
- successful retinal transduction, as shown by substantial increase in expression and secretion of endostatin and angiostatin proteins measured in the anterior chamber of the eye following a single administration of RetinoStat®;
- long-term protein expression[1]: now sustained for at least one year post-treatment at dose levels 1 and 2, and at least two months at dose level 3; and
- further preliminary data continue to show a dose response, with the escalation to dose levels 2 and 3 yielding an increase in average protein expression.

1. as at latest available time points

The RetinoStat® Phase I study was the first US clinical study to directly administer a lentiviral vector-based treatment to patients. Furthermore, Oxford BioMedica believes this is the first time that protein expression has been directly demonstrated in the eye following the administration of a gene therapy.

Favourable RetinoStat® safety profile supports treatment of less severe "wet" AMD patients
Oxford BioMedica has completed the first three patient cohorts (n=9, ascending dose levels 1, 2 and 3) and treatment of the final patient cohort is ongoing (confirmatory dose level). Given the encouraging preliminary data, in December 2012 Oxford BioMedica and Sanofi submitted an amendment to the existing Phase I study protocol to broaden the patient population to include up to 12 patients with a less severe level of the disease in the confirmatory dose cohort.

As a regulatory requirement, RetinoStat® must first be tested for safety in patients with a severe level of disease. As such, patients can often be elderly and may find the commitment of surgery plus frequent follow up appointments challenging. Whilst recruitment of the final patient cohort was slower than anticipated during Q4 2012, the protocol amendment has considerably widened the pool of eligible patients which is expected to positively influence recruitment onto the study.

$3m

Total option exercise payment of US$3 million received in July 2012. Potential for future development and commercialisation milestone payments plus royalties on sales

Funding award for UshStat® Phase I/IIa study from Foundation Fighting Blindness
In July 2012, the US non-profit organisation, the Foundation Fighting Blindness, granted Oxford BioMedica an award of US$125,000. The award will support the opening of a second clinical site for the ongoing UshStat® Phase I/IIa study, currently led by Professor Richard Weleber in the US at the Oregon Health & Science University's Casey Eye Institute. The second clinical site will be at Centre Hospitalier National d'Ophtalmologie des Quinze-Vingts in Paris, France with Professor José-Alain Sahel as Principal Investigator. The Company submitted a dossier to the Haut Conseil des Biotechnologies (HCB) in Q4 2012. Subject to receiving regulatory approval, the second clinical site is expected to open in H2 2013.

Continued support from expert Data Safety Monitoring Board (DSMB)
As expected, Oxford BioMedica reported early StarGen™ data in August 2012 following a positive review of the ongoing RetinoStat® and StarGen™ studies by the DSMB, an independent panel of experts in the field of ophthalmology, virology and vectorology. In addition, the Company announced a further update across its clinical ocular programmes in November 2012 following a positive DSMB review of first patient cohort in UshStat® Phase I/IIa study.

Next objectives
Treatment of the final RetinoStat® patient cohort (n=up to 12) is ongoing and six-month data are expected to be reported by the end of the year. At any time prior to or within a defined period after completion of the RetinoStat® Phase I study, Sanofi can exercise its option to license RetinoStat® which would trigger a significant milestone payment to Oxford BioMedica. As funding resources have been focused on the clinical development of the first three products, the companies continue to evaluate the optimal development strategy for EncorStat®.

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 steadily increasing. 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$4.8 billion in 2012 *(source: Novartis/Roche/Regeneron)*. On the basis of non-clinical data, it is anticipated that RetinoStat® may require only a single administration. If so, this would give the product a significant advantage over currently available treatments in the market that require frequent, repeated administration. With no approved treatments for Stargardt disease (StarGen™), Usher syndrome type 1B (UshStat®) or corneal graft rejection (EncorStat®), these indications have an estimated market of $780 million *(source: Oxford BioMedica)*.

Glaucoma-GT: targeting chronic glaucoma with Mayo Clinic
In collaboration with Mayo Clinic, Rochester (USA), Oxford BioMedica is developing 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.

Oxford BioMedica has successfully completed initial pre-clinical studies which have demonstrated that the LentiVector® platform is both well-tolerated at high vector dose and transduces suitable target cells following transcorneal injection into the front of the eye. In preparation for the pre-clinical efficacy study to assess the lowering of intraocular pressure, the Company has decided to evaluate a more translational glaucoma model in order to maximise proof of concept. This pre-clinical evaluation is ongoing, results from which are expected by the end of H1 2013.

Next objectives
The collaboration includes an option for exclusive US rights to license Mayo Clinic's glaucoma technology which Oxford BioMedica can choose to exercise under confidential terms agreed by both parties. In the longer term it is likely that Oxford BioMedica will require a future partner for Glaucoma-GT but in the meantime the Company will continue to move the product towards clinical development in order to add value to the asset.

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 represents the largest ophthalmic market with global sales of over US$5 billion in 2008. 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 cases *(source: Datamonitor 2010)*. Current treatment options for glaucoma aim to reduce intraocular pressure either through topical methods (e.g. eye drops) or eye surgery, however these approaches are not effective in all cases. It is anticipated that the use of a novel gene therapy to provide long-term control of intraocular pressure could minimise the risk of disease progression and obviate the requirement for surgery.

90%

Neovascular "wet" AMD accounts for 90% of all severe vision loss from the disease with up to 4.5 million patients worldwide

Current treatment options for glaucoma aim to reduce intraocular pressure either through topical methods (e.g. eye drops) or eye surgery. However these approaches are not effective in all cases

The novel gene therapy we are working on could provide long-term control of intraocular pressure, this approach could minimise the risk of disease progression and obviate the requirement for surgery

Platform evolution: the next generation of ocular gene therapies

Ophthalmology is a high growth market estimated to be worth €13.4 billion in 2011, increasing to €16 billion worldwide by 2016 *(source: Visiongain)*. There is strong demand for innovative products and the LentiVector® platform is well suited to creating novel, long-acting products which could command attractive pricing. Moreover, a common manufacturing platform can facilitate predictable or accelerated development and regulatory strategies for new ocular products. By cross-referring data generated across the LentiVector® platform portfolio, Oxford BioMedica is in an increasingly strong position to develop a new wave of high value products and improve its leading intellectual property position.

Oxford BioMedica is currently evaluating product candidates for four new ocular indications, including uveitis and three undisclosed genetic retinal diseases, where there is a clear unmet medical need. The Company plans to seek funding from translational grant opportunities and charities, in addition to leveraging its relationships with key opinion leaders, in order to initiate pre-clinical programmes to demonstrate proof of concept. The first two pre-clinical programmes are expected to start in H2 2013.

Market opportunity

The three undisclosed genetic retinal diseases have a conservatively estimated market of over $400 million *(source: Oxford BioMedica)* and niche indications such as these can build significant business value. Uveitis has an estimated market of over $300 million *(source: GlobalData)*.

€16bn

Ophthalmology is a high growth market estimated to be worth €13.4 billion in 2011, increasing to €16 billion worldwide by 2016

$300m

Uveitis has an estimated market of over $300 million

Our pioneering technology has inspired powerful industry alliances. We are privileged to be working alongside global pharmaceutical players, professors, academic institutions, charitable organisations and industry specialists within our chosen fields of development.

Together, we can bring hope and relief to people suffering from chronic and life threatening illness.

Operational review
LentiVector® platform manufacturing

Oxford BioMedica is a world leader in the development of lentiviral vector-based products and, in February 2011, the Company acquired a manufacturing site situated at Cowley, close to its headquarters in Oxford. The rationale for the acquisition was to deliver long-term operational and financial efficiencies for the Company by manufacturing its own clinical study material as opposed to outsourcing to a contract manufacturing organisation. The cost of the acquisition, refurbishment and equipment was £3.6 million.

Certification attained to perform GMP manufacturing activities for clinical supply
In June 2012, Oxford BioMedica announced that it had received approval from the UK Medicines and Healthcare products Regulatory Agency (MHRA) to manufacture bulk drug material for Investigational Medicinal Products (IMPs) at its specialist manufacturing facility. This represents an extension of Oxford BioMedica's existing Good Manufacturing Practice (GMP) certification which covers the established in-house activities for testing and subsequent release of IMPs for clinical development. Having attained GMP certification, the plant has since been fully-operational and authorised to perform GMP manufacturing activities in support of clinical supply.

In-house manufacturing activities underway with potential to secure future alliances
The manufacturing plant totals approximately 16,000 square feet, which includes c. 4,400 square feet in cleanrooms. With two primary clean room suites on the first floor, there is also capacity for a third suite in addition to fill and finish capabilities on the ground floor. Oxford BioMedica therefore has flexibility to run up to three specialist manufacturing suites in parallel. Since June 2012, Oxford BioMedica has been working on the StarGen™ and UshStat® technology transfer to Sanofi which has required some manufacturing activity. The Company has also produced test batches of the enhanced ProSavin® product construct, to support the ongoing pre-clinical bridging studies, and test batches of RetinoStat® for MHRA comparability testing requirements. Not only does Oxford BioMedica have the capacity to support its existing programmes, but there is also ample opportunity for the Company to become the supplier of choice for its current and future partners.

OXB Solutions: www.oxbsolutions.co.uk
Oxford BioMedica has launched a microsite, called OXB Solutions, designed to support the Company's alliances in GMP manufacturing and leverage its leading position in intellectual property, translational research and clinical development. This online communications tool provides a strong platform from which Oxford BioMedica can inform and update its existing partners and key stakeholders. It will also help to build new relationships and industry alliances across all stages of viral vector product development and GMP manufacturing from clinical to commercial scale.

New master services agreement with Immune Design Corp.
In September 2012, Oxford BioMedica signed a master services agreement with Immune Design. The collaboration aims to leverage Oxford BioMedica's expertise in lentiviral vector clinical development by focusing on the design and validation of custom analytical methods, in order to facilitate the future clinical development path for Immune Design's pre-clinical therapeutic vaccine candidate for the treatment of cancer.

Next objectives
Oxford BioMedica regularly manufactures test batches of viral vector for third parties; this could lead to new alliances or research collaborations in 2013.

£3.6m

Total cost of the acquisition, refurbishment and equipment relating to our state-of-the-art manufacturing facility

Other assets

ProSavin®: gene-based therapy for Parkinson's disease
Parkinson's disease (PD) is a progressive movement disorder caused by the degeneration of dopamine producing nerve cells in the brain. ProSavin® uses the Company's LentiVector® gene delivery technology to deliver the genes for three enzymes that are required for dopamine synthesis. 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 in a tonic level analogous to natural dopamine supply in the absence of PD.

Pioneering Phase I/II study successfully met primary endpoints
In April 2012, Oxford BioMedica announced that a Phase I/II study to assess the safety, efficacy and dose evaluation of ProSavin® in patients with mid-to-late-stage PD successfully met its primary endpoints. The study evaluated three ascending dose levels of ProSavin® (1x, 2x and 5x) in a total of 15 patients. The primary endpoints were safety and efficacy as measured by improvements in motor function at six months. ProSavin® has demonstrated a long-term safety profile and all 15 patients showed improvements in motor function at the six-month efficacy endpoint relative to baseline.

ProSavin® mediates long-term improvement of motor function
Oxford BioMedica will monitor all patients treated for at least 10 years post-treatment. Motor function assessments at the latest available time points indicate:

- *Cohort 1 (1x dose): improvement vs. baseline after four years (n=2 of 3)*
- *Cohort 2 (2x dose): improvement vs. baseline after three years (n=3 of 3)*
- *Cohort 3 (2x dose, enhanced technique): improvement vs. baseline after two years (n=2 of 3)*
- *Cohort 4 (5x dose, enhanced technique): improvement vs. baseline after 12 months (n=6 of 6)*

Results can vary considerably when treating small patient numbers, particularly in a heterogeneous disease such as PD; for example, a patient in cohort 1 (at four years) and another in cohort 3 (at two years) did not show an improvement over baseline at their latest assessments. However, given the nature of this inexorably degenerative disease, the overall results are very encouraging as the expected disease progression without ProSavin® may be significantly worse.

Non-clinical programme for product optimisation on track
Oxford BioMedica is currently evaluating a more potent product construct to ensure the greatest chance of success in future randomised Phase II studies, by increasing the benefit for patients, and to increase the commercial opportunity by offering extended patent protection and a relative reduction in cost of goods. The Company initiated a non-clinical programme in H1 2012 to evaluate the efficacious dose range of the enhanced product construct using the gold standard MPTP model of Parkinson's disease. The non-clinical programme will evaluate improvements in motor function, in addition to Positron Emission Tomography (PET) data to assess dopaminergic activity. Progress is on track and the full non-clinical programme is expected to complete in Q3 2013.

Next objectives
Oxford BioMedica is seeking further funding, via a development partnership or grant opportunities, to support a small Phase IIa trial which would generate valuable data. The Company holds regular updates with interested parties and is evaluating the most effective strategy to advance the enhanced ProSavin® construct into its next stage of development.

Market opportunity
Parkinson's disease affected approximately 2.3 million patients in 2011 in the seven major markets (US, Japan, UK, France, Germany, Italy and Spain), projected to rise to 2.8 million by 2021 *(source: Datamonitor)*. 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)*. 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.

2.3m

Parkinson's disease affected approximately 2.3 million patients in 2011 in the seven major markets (US, Japan, UK, France, Germany, Italy and Spain), projected to rise to 2.8 million by 2021

Intellectual property and technology licensing

MoNuDin®: motor neuron disease
The pre-clinical development of MoNuDin® is supported by the UK Motor Neurone Disease Association (MNDA). The LentiVector® platform technology has the ability to deliver genes safely and efficiently to the neuronal cells affected by motor neuron disease. In collaboration with VIB/University of Leuven, funded by a grant from the MNDA, Oxford BioMedica is exploring novel therapeutic approaches to treat Amyotrophic Lateral Sclerosis (ALS), the most prevalent type of motor neuron disease. A route of administration directly into the cerebrospinal fluid bathing the spinal cord has been established. Two forms of vascular endothelial growth factor (VEGF) have since been evaluated using this method. Further pre-clinical work to evaluate the efficacy of these VEGF forms in a model of ALS is ongoing. 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 this collaboration continues to support 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)*. If MoNuDin® proves to be an effective neuroprotective treatment that can slow or arrest injury to patients' motor neurons, it would have compelling competitive advantages.

The LentiVector® platform technology is protected by a comprehensive patent portfolio of around 60 patent families including over 500 issued patents. In November 2012, Oxford BioMedica announced that the Carnegie Institution for Science and the University of Massachusetts Medical School were granted a key US patent for the use of RNA interference (RNAi) to inhibit expression of a target gene in animal cells, including mammalian cells. The patent covers vector-based delivery of RNAi and, as a result, triggered a modest milestone payment by Oxford BioMedica for its exclusive rights to this technology. This patent further strengthened the Company's leading intellectual property position.

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

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

Bavarian Nordic, 2010:
Licensed Oxford BioMedica's heterologous PrimeBoost technology patents and poxvirus patents (PROSTVAC™ is in Phase III for advanced prostate cancer)

Emergent BioSolutions, 2010:
Licensed Oxford BioMedica's heterologous PrimeBoost technology patents and poxvirus patents (Tuberculosis vaccine is in Phase II)

30,000

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

Our capabilities cover the entire product lifecycle; from pre-clinical development, to regulatory support, to all future stages of clinical development and specialist manufacturing. With multiple opportunities ahead, our highly-experienced management team is resolutely focused on leading our evolution.

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® (MVA-5T4): therapeutic cancer vaccine with a biomarker
TroVax® is a late-stage clinical asset that has completed 10 clinical trials in colorectal, renal and prostate cancer. Few immunotherapy treatments have demonstrated a direct link between the predicted mode of action and clinical benefit. TroVax® stands apart as a cancer vaccine that elicits a strong and readily definable immune response. Oxford BioMedica has identified a biomarker, using a simple blood test, which predicts both the magnitude of the induced 5T4 antibody response and treatment benefit. This enables us to identify those patients who are most likely to benefit from treatment with TroVax®.

Encouraging preliminary biomarker data
In October 2012, Oxford BioMedica made a strategic decision to close its US Phase II study in hormone refractory prostate cancer (HRPC) to focus on investigator-led Phase II studies. As the HRPC study closed prior to completion of patient recruitment the efficacy results should be interpreted with caution, however data indicate:

- a trend towards increased time to disease progression in patients who received TroVax® plus chemotherapy drug docetaxel versus those who received docetaxel alone; and
- prospective validation that Oxford BioMedica's pre-treatment biomarker can identify patients most likely to benefit from treatment with TroVax®.

First of multiple Phase II investigator-led studies underway
In July 2012, Oxford BioMedica's partners at Cardiff University, Wales (UK) initiated a Phase II trial to assess the safety and immunological activity of TroVax® in patients with inoperable metastatic colorectal cancer. The Company expects two further sponsored Phase II studies in mesothelioma and ovarian cancer to be initiated in the UK by academic collaborators in 2013. All of these studies will use the biomarker to select patients for the studies.

Next objectives
Securing a partner to fund TroVax®'s future late-stage development remains a priority. Expenditure on TroVax® to support the investigator-led Phase II studies will be modest.

5T4-targeted antibody therapy for cancer: partnered with Pfizer
Pfizer's continued commitment to the 5T4-ADC programme, as demonstrated by presentations at key industry conferences during 2012, is encouraging. The potential value of Oxford BioMedica's collaboration with Pfizer is 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.

Diagnostic cancer imaging: research collaboration with ImaginAb
In November 2012 ImaginAb exercised its option to acquire an exclusive worldwide licence for commercialisation of an in vivo 5T4-based imaging diagnostic. ImaginAb is preparing to initiate clinical development of the 5T4 in vivo diagnostic in 2013. Under the terms of the agreement, Oxford BioMedica received an upfront option exercise payment and could receive proceeds up to a total of US$4 million in future initiation and development milestone payments, in addition to royalties on product sales, subject to the achievement of certain programme objectives.

Market opportunity
The oncology market was estimated to be $72 billion in 2010, forecast to grow to $93 billion in 2015 *(source: Datamonitor, 2011)*. In particular, the cancer targeted therapies and immunotherapy market was $19.5 billion in 2009, forecast to increase to $36.8 billion in 2019 *(source: Datamonitor, 2010)*. TroVax® is administered in the same way as most infectious disease vaccines are given; a simple injection in the arm. If shown to be efficacious in a pivotal trial for even just one of the major cancers where it is known that 5T4 is present on the tumours, TroVax® has significant potential. 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. Targeted molecular imaging for the diagnosis and staging of cancer also holds significant promise in the era of personalised medicine.

$19.5bn

The cancer targeted therapies and immunotherapy market was $19.5 billion in 2009, forecast to increase to $36.8 billion in 2019

Manufacturing feature
Our state-of-the-art, fully-operational facility

Having attained GMP certification from the MHRA in June 2012, our state-of-the-art manufacturing plant is now fully-operational and authorised to perform GMP manufacturing activities in support of clinical supply.

The investment in specialist manufacturing processes addresses one of the main hurdles associated with the rapid progression of products through to market. Not only do we have capacity to support our existing programmes, but there is also ample opportunity for us to become the supplier of choice for our current and future partners.

Our manufacturing capabilities cover the entire product lifecycle; from pre-clinical development, to regulatory support, to all future stages of viral vector product clinical development and commercial scale. Ongoing process development aims to optimise our manufacturing processes to develop highly innovative technologies and therapies.

GMP

Our world class facilities provide the full range of services from proof of concept through GMP manufacture and supply for clinical trials

2004

We attained GLP accreditation in 2004; GMP in 2005; and GCP certification in 2006 from the MHRA and have continued to operate under GLP, GMP and GCP accreditations ever since

Manufacturing feature
Interview with our Head of Manufacturing

James Christie joined Oxford BioMedica in February 2011 with over 30 years of experience in the industry. Led by James, an integrated team comprising manufacturing, development, quality control, quality assurance, engineering and logistics were engaged in commissioning the newly-acquired manufacturing facility. In line with expectations and on budget, the manufacturing facility produced its first pilot run at the end of 2011 and Oxford BioMedica attained GMP certification in June 2012.

Q. What attracted you to Oxford BioMedica?

A. Oxford BioMedica has a broad portfolio of exciting products underpinned by the LentiVector® gene delivery technology platform. I felt I could work well with the Company's strong management team and apply my experience to bring the manufacturing plant to operational readiness and contribute to delivering a commercial arm to the business.

Q. What sets your team's expertise apart from others in the industry?

A. We have world-class expertise in gene therapy and immunotherapy. Our unique technical experience with the LentiVector® platform has underpinned a successful track record to date in bringing novel gene-based products into clinical development. Our scientists and engineers are tasked with finding the best ways to improve our systems, processes and procedures in order to keep us at the forefront of science and technology. It's an exciting place to be.

Q. What have you been doing in the facility since you bought it?

A. Following the acquisition in 2011, we worked very hard on commissioning the plant and preparing for the MHRA inspection to obtain a GMP licence for production. Since obtaining MHRA approval in June 2012, we have produced materials for various internal and external projects. We continuously aim to enhance our novel product candidates, therefore ongoing process development aims to further improve our processes at all stages of development. In addition, we launched the OXB Solutions microsite to give key stakeholders the opportunity to learn about our team, facilities and technologies associated with our production and analytics. This online tool is very useful to showcase our expertise and support our alliances.

Q. Can you explain your manufacturing process?

A. In general, our manufacturing process involves culturing a human cell line through revival and expansion phases, followed by a production phase. The material is then purified and further processed to drug substance prior to generation of final drug product. More specifically, we revive cells from a frozen cell bank and introduce three pieces of DNA required for production; two pieces of DNA remain the same for all platform products (one for the shell of the vector and its associated enzymes, and a second to provide a surface protein that is required for subsequent entry into target cells).

James Christie
Head of Manufacturing

The third piece of DNA changes depending on which product you are making, but essentially provides the genetic "payload" for delivery to target cells.

Q. What is the production capacity of the facility?

A. The facility is very flexible, ideally suited to our needs and is configured specifically to provide efficient flows of product, materials and personnel. We currently have two independent suites in operation, with a third suite for additional capacity when required. The facility currently meets our needs for our existing clinical trials and collaborative partnerships.

Q. What are the specific challenges in manufacturing gene-based medicines?

A. Currently I think the main challenges are i) minimising cost of goods, ii) improving the scale of operation and iii) having the correct analytics to test and characterise the product. Here at Oxford BioMedica we meet these challenges head on by bringing multi-disciplinary teams together in order to provide solutions and improvements.

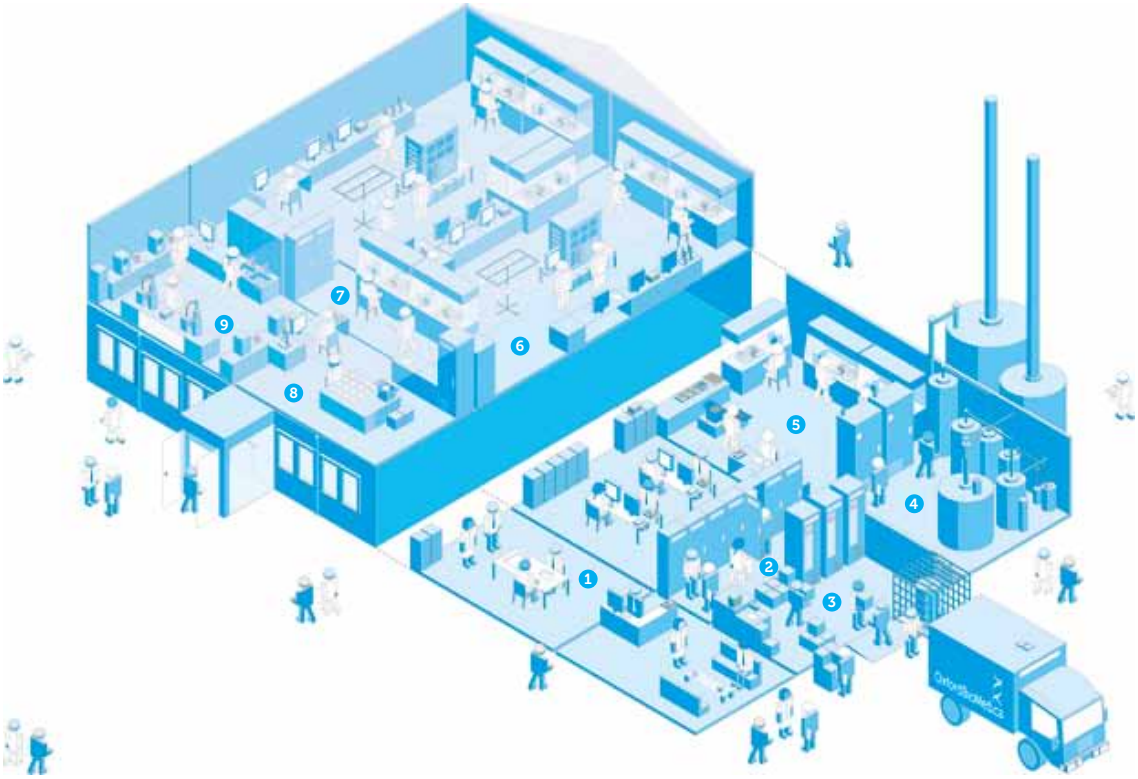
Q. What else can you make in your plant?

A. The plant is very flexible, so it could potentially be used to produce any gene therapy product. The plant is currently equipped to support lentiviral vector production, but it benefits from typical pharmaceutical utilities (e.g. purified water, clean steam, compressed gases) which will support bioreactors and other upstream and downstream technologies for production.

Q. What impact do you feel the manufacturing facility has made to Oxford BioMedica?

A. The plant provides a strong commercial arm to our business. It will deliver significant operational and cost efficiencies for our internal programmes but we also expect to generate revenue from new alliances. This will help us fund new, high value projects. In terms of the future, I would like to see manufacturing play a key role in the growth of the business by providing a real opportunity to bring products into clinical development and to market. I would also like us to build long-lasting relationships with our key partners.

Manufacturing feature
Inside the facility



Ground floor

1. **Office and admin**
2. **Primary change**
   Provides appropriate cleanroom appropriate gowning, goggles, hair nets and face masks.
3. **Material transfer/temperature-controlled storage**
   Temperature monitored and validated cold storage equipment facilitates the storage of raw materials, drug substance and drug product.
4. **Plant and utilities**
   The heating, ventilation and air conditioning (HVAC) system is situated here. The plant utilises four independent HVAC systems for providing single pass air supply to the clean room facilities.
5. **Fill and finish**
   Aseptic fill and finish is the last step of a biologic drug manufacturing process and results in packaged product in its final form.

First floor

6. **Clean room suites**
   With two primary clean room suites on the first floor and additional capacity on the ground floor, we have the capability to run up to three specialist manufacturing suites in parallel.
7. **Central services**
   Used to prepare media/buffer and any other equipment and materials required for the manufacturing bioprocess.
8. **Process development**
   Dedicated laboratories that are fully equipped to support all aspects of upstream and downstream process development.
9. **Micro/QC labs**
   Where we perform quality control (QC) activities such as environmental monitoring; raw material analyses; and cleaning validation and testing.

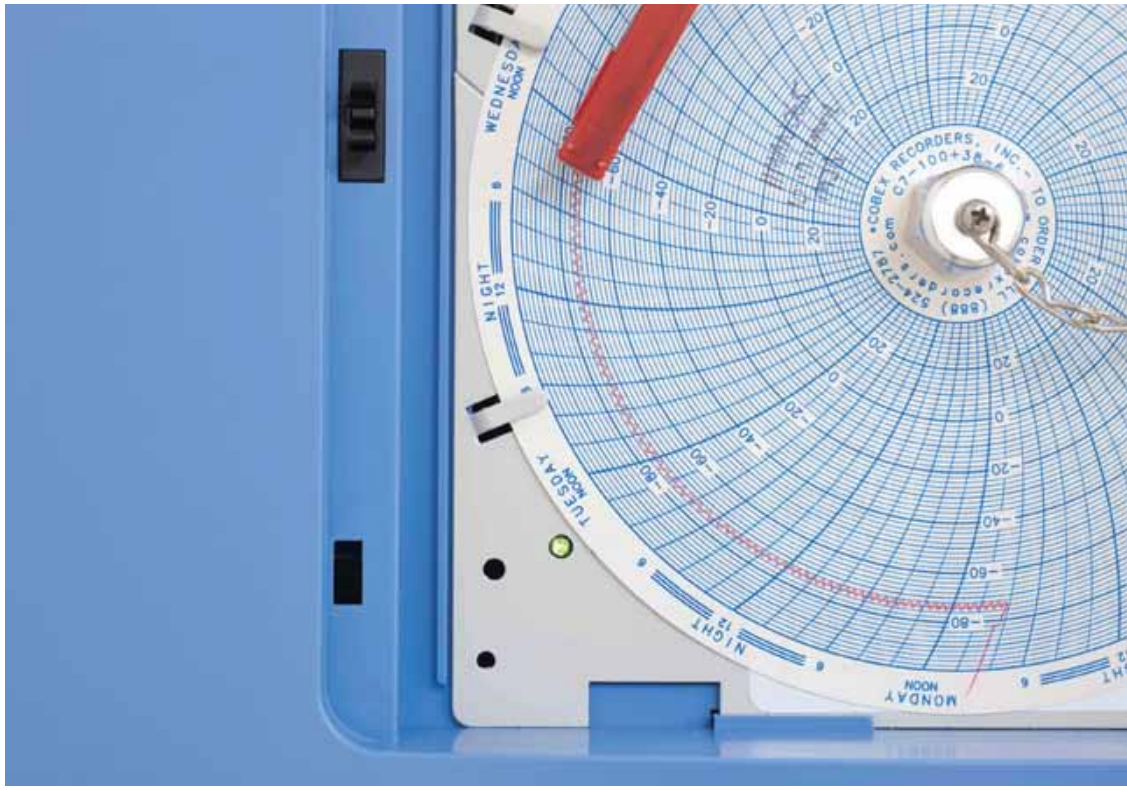
16,000ft²

The manufacturing facility totals approximately 16,000ft² (1486m²)

4400ft²

The facility includes 4,400ft² (409m²) in cleanrooms


SAL


WEDNESDAY
NOON
NIGHT
12
TUESDAY
NOON
MONDAY
NOON
COREX RECORDERS, INC.
TO ORDER

Financial review

2012 has been an important developmental year for Oxford BioMedica from a financial perspective. In February 2012, steps were taken to reduce costs and 16 staff were made redundant. This included the closure of the small US office. In June 2012 our manufacturing facility in Oxford was approved by the MHRA (Medicines and Healthcare products Regulatory Agency) to manufacture bulk drug material for Investigational Medicinal Products. This approval gives us the opportunity in the future of generating revenues which would reduce our cash burn, as well as making substantial savings on our internal R&D programmes. We also benefited in June 2012 from Sanofi exercising its options over StarGen™ and UshStat® which brought in $3.0 million (£1.9 million) and opens up the prospect of future development milestones. In July 2012 we completed a Firm Placing and Open Offer raising £10.1 million net of expenses. At the end of 2012, we had £14.1 million of cash, cash equivalents and available for sale investments.

Tim Watts
Chief Financial Officer

Key performance indicators
The key performance indicators monitored regularly by the Board are:

— *Cash balance (total of cash, cash equivalents and current financial investments)*
At the start of 2012 the cash balance was £14.3 million. This fell to £9.0 million at 30 April 2012 and £6.6 million at 30 June 2012. Following the fund-raising in July 2012 the balance at 31 October 2012 was £14.4 million and £14.1 million at 31 December 2012.

— *Cash burn (net cash used in/generated from operations plus sales and purchases of non-current assets and interest received)*
During 2012 the cash burn was £10.5 million compared with £16.5 million during 2011.

— *Headcount*
At 31 December 2012 the number of employees was 81, compared with 99 at 31 December 2011.

Revenue £7.8m (2011: £7.7m)

	2012 £'000	2011 £'000
Sanofi – 2009 agreement upfront recognition	3,414	4,665
Sanofi – 2009 agreement R&D funding	1,932	2,651
Sanofi – exercise of StarGen™ and UshStat® options	1,913	–
Technology licences & other revenue	497	402
Total revenue	**7,756**	**7,718**

Revenues were virtually unchanged in 2012 compared with 2011 although the composition was slightly different.

The bulk of the Group's revenue in 2012 and 2011 was generated from the collaboration with Sanofi which began in April 2009. There are three elements in 2012.

First, in 2009 the Group received a non-refundable upfront payment of US$26 million (£16.6 million) which is being spread over the term of the agreement. Revenue to date of £15.9 million has been recognised under this collaboration, of which £3.4 million was recognised in 2012 (£4.7 million in 2011). The remaining £0.7 million is classified as deferred income and is expected to be recognised as income in the next 12 months.

Secondly, Sanofi is funding R&D expenditure on the four products covered by the collaboration agreement up to a maximum of $24 million. To date, £13.3 million (US$21.1 million) has been recognised as revenue, of which £1.9 million was recognised in 2012 (£2.7 million in 2011). £0.6 million has been classified as current deferred income.

Finally, under the 2009 agreement, Sanofi has the option to acquire exclusive worldwide licences for further development, manufacture and commercialisation of any one or all of the products covered by the agreement.

In June 2012, Sanofi exercised its options in relation to StarGen™ and UshStat®, triggering option fees of $2.0 million and $1.0 million respectively (in aggregate £1.9 million) which were recognised as revenue in full in 2012.

Cost of sales £0.7m (2011: £0.6m)
Costs of sales are the royalties payable to third party licensors attributable to upfront and option fees from the Sanofi agreement that are recognised as revenue. The increase in cost of sales in 2012 is caused by the royalty payments due to licensors triggered by the receipt of the option fees for StarGen™ and UshStat®.

Research & development costs (pre-exceptional) £14.0m (2011: £14.7m)

	2012 £'000	2011 £'000
External costs	3,783	4,766
In-house costs	9,862	9,494
Amortisation of intangibles	370	450
Total non-exceptional research & development costs	**14,015**	**14,710**

R&D costs comprise external costs paid for clinical trial materials and outsourced activities; in-house expenditure including staff costs, R&D consumables, intellectual property, facilities and depreciation of R&D assets; and amortisation of intangibles. External costs in 2012 were lower than in 2011 mainly because the costs of the Sanofi collaboration activities, £1.9 million, were lower than in 2011 (£2.7 million). Other external costs were mainly in respect of the enhanced ProSavin® construct non-clinical studies and the TroVax® prostate cancer study, the latter of which was terminated in October 2012.

Administrative expenses £3.6m (2011: £3.8m)
Administrative expenses of £3.6 million in 2012 were £0.2 million lower than in 2011 despite the inclusion in 2012 of redundancy costs and the closure of the US office, and also £0.4 million professional fees incurred on a confidential corporate project.

Operating loss (pre-exceptional) £10.5m (2011: £11.3m)
The operating loss in 2012 of £10.5 million was £0.8 million lower than in 2012 because of the lower R&D and administrative expenses.

Net finance income £0.1m (2011: £0.1m)
Finance income in 2012 was virtually unchanged from 2011, as interest rates remain low and average cash balances in the two years were similar.

Tax credit £1.6m (2011: £1.7m)
The tax credit of £1.6 million (2011:£1.7 million) represents the amount expected to be received under current legislation on research and development tax credits for small and medium-sized companies.

Loss for the year before exceptional items £8.7m (2011: £9.5m)
Before exceptional items, the lower net loss in 2012 is attributable to the lower costs and operating loss.

Balance sheet
Non-current assets decreased from £7.3 million at the start of the year to £6.8 million at 31 December 2012. There were additions of £0.2 million intangible assets and £0.3 million property, plant and equipment which were offset by £0.4 million amortisation of intangible assets and £0.6 million depreciation of fixed assets.

Current assets declined from £18.8 million at the start of the year to £17.6 million due mainly to lower trade and other receivables. The 2011 trade and other receivables balance had a significant VAT receivable and also larger clinical trial prepayments than at 31 December 2012.

Current liabilities have decreased from £7.7 million at 31 December 2011 to £4.3 million at 31 December 2012. Trade and other payables are £0.5 million lower, mainly due to lower trade payables, and current deferred revenue is £2.8 million lower because most of the Sanofi collaboration agreement upfront payment has now been recognised.

Cash resources
Cash used in operations in 2012 was £11.5 million, £2.8 million less than in 2011, and the R&D tax credit received was a similar amount at £1.5 million (2011: £1.4 million). Fixed asset purchases of £0.5 million in 2012 were much lower than in 2011 when £3.6 million was spent, largely on the purchase and refurbishment of the manufacturing facility.

In 2012, £10.3 million net proceeds were received from the issue of ordinary shares, compared with £18.6 million in 2011.

At the end of 2012, the Group had £14.1 million of cash, cash equivalents and current financial investments (2011: £14.3 million).

Financial outlook
With £14.1 million cash resources at the end of 2012 the Group has sufficient financial resources to fund the business into Q1 2014. However this does not take into account the potential revenue generating possibilities from the manufacturing facility, nor the significant option fee should Sanofi choose to exercise its option over RetinoStat® during 2013. We are also continuing to explore ways of generating cash from ProSavin® and TroVax®.

Our objective is to develop Oxford BioMedica's business model in a balanced way such that net cash burn is reduced to the point where we reach sustainable profitability. We also continue to seek to leverage the value of our intellectual property through strategic partnerships and other growth opportunities may also come from corporate activity.

Corporate social responsibility

At Oxford BioMedica we recognise our obligation to behave as a responsible corporate citizen and believe that by doing so we will minimise business risk and enhance our reputation. The Board recognises the potential benefits of corporate social responsibility (CSR) for the competitiveness of Oxford BioMedica and encourages a culture of continuous improvement in CSR-related issues. We have set specific policies that cover key aspects of CSR and strive to operate at the highest level of integrity.

Our relationships

Internal relationships

Attracting, motivating and retaining a highly skilled workforce is critical to Oxford BioMedica's success and sustainability. 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. The Board as a whole takes considerable interest in employment matters which are represented at board level by the Chief Executive Officer.

Training and development

We aim to develop and maintain a motivated and professional workforce through career development, performance management, training and promotion. Our 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, in-house and external courses. Our annual employee appraisal process continues to function well, by providing a formal process for setting objectives and reviewing performance.

Company values

Our mission, vision and values aim to encourage innovation amongst our people. The values are designed to engage and inspire employees to work together to achieve timely delivery and to cultivate enthusiasm in the work place. By implementing these new initiatives we are motivating our staff to work to the best of their ability and strive to be the best.

Sharing information

We acknowledge the importance of communication between colleagues. Company briefings, R&D seminars and informal all-staff meetings are held to keep employees informed of general business issues and any other matters of interest. The circulation of press announcements and internal newsletters keeps employees informed of business and employee activities. At the start of 2013 we also conducted an employee engagement survey to learn more about views and opinions within the Company and enable us to identify areas that may need attention.

External relationships

Our external stakeholders include shareholders, patients, healthcare professionals, patient advocacy organisations, charitable institutions, partners, collaborators, licensees, suppliers and advisers.

These relationships are a fundamental aspect of our business activities. We are committed to interacting with all stakeholders in an ethical manner, and to ensuring that the relationships are maintained at a professional and appropriate level. Our interactions with external stakeholders are regularly reviewed by the Senior Management Group.

Clinical trials

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

Communication

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. Further information is given in the Governance Report.

Product development

Animal testing

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

Quality assurance

We are committed to operating all of our activities at a high level of scientific quality and regulatory compliance. Our 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.

We place the highest priority on the safety and well-being of our clinical trial patients who are treated with our 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 regularly holds company-wide Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), Good Laboratory Practice (GLP) and Pharmacovigilance training 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. Oxford BioMedica continues to operate under GCP, GMP and GLP accreditations on an ongoing basis and has remained within compliance throughout 2012.

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 re-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.

Our environment

Health and safety

We are committed to protecting the health, safety and welfare of our employees and strive to maintain an effective health and safety culture within the organisation. Our Health and Safety Management System covers all work activities such as the usage of biological, chemical and radioactive materials, and the operation of laboratory equipment. The Health and Safety Management System is reviewed and updated in order to improve current systems and procedures, adapt to variations in scientific work and reflect changes in legislation. Oxford BioMedica continues to have a strong safety record. All health and safety issues are represented at board level by the Chief Scientific Officer.

Environmental policies

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. Environmental issues are represented at board level by the Chief Executive Officer.

Charitable giving

For the third consecutive year we have continued to recycle our coffee disks in order to raise money for MacMillan Cancer Support. In June 2012 Oxford BioMedica donated £1,200 to the Sue Kingsman Memorial Scholarship Fund which, via the Carriacou Children's Education Fund (CCEF), will fund a student's two year college course.

Principal risks and uncertainties

Risk assessment and evaluation is an integral part of Oxford BioMedica's planning. Many of the Group's risks and uncertainties are common to all development-stage biopharmaceutical companies. Where possible, the Group's strategy is designed to manage and mitigate these risks. 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. Some risk is difficult to mitigate, in particular that related to gene therapy and its efficacy. For other risks, management's experience, planning and vigilance can mitigate the risks to a greater extent, for example those associated with intellectual property and financial risk. The Board members have relevant qualification and experience, and they have access to external resources where required. The Board meets regularly and frequently enough to ensure that it is fully informed to oversee this activity in a timely manner. The following are the principal risks and uncertainties facing the business.

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

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

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

Gene therapy risk
The commercial success of Oxford BioMedica's gene therapy products will depend, in part, on their acceptance by the medical community and the public for the prevention and/or treatment of diseases. To date only one gene therapy product has been approved in Europe, and none in the USA. 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 Group's products.

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

- Failure to demonstrate long-term safety
- Failure to demonstrate efficacy
- Failure to develop technical solutions to achieve necessary dosing levels or acceptable delivery mechanisms
- Failure to establish robust manufacturing processes
- Failure to find a development partner or alternative funding
- Failure to obtain regulatory approvals to conduct clinical studies or, ultimately, to market the product
- Failure to recruit sufficient patients into clinical studies

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

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

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

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

Manufacturing risk
There can be no assurance that the Group's product candidates will be capable of being produced in commercial quantities at acceptable cost. The Group's LentiVector® platform product candidates use specialised manufacturing processes for which there are only a few suitable manufacturers including the Group's own facility. There can be no assurance that the Group will be able to manufacture the Group's product candidates at economic cost or that contractors who are currently able to manufacture the Group's product candidates will continue to make capacity available at economic prices, or that suitable new contractors will enter the market. Manufacturing processes that are effective and practical at the small scale required by the early stages 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 the Group will be able to adapt current processes or develop new processes suitable for the scale required by later stages of clinical development or commercial supply in a timely or cost-effective manner, nor that contract manufacturers will be able to provide sufficient manufacturing capacity when required.

Collaboration and funding risk
Collaborations and licensing are an important component of the Group's strategy to realise value and manage risk. The Group is dependent on collaborative relationships with third parties to facilitate and fund the research, development, manufacture, commercialisation and marketing of products. There is no guarantee that such collaborations and funding will continue to be found. There can also be no assurance that the Group'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 Group's most important collaborators are Sanofi and Pfizer. If the relationship with either of these parties were to deteriorate, Oxford BioMedica's development programme could be adversely impacted.

Principal risks and uncertainties

Regulatory risk
The clinical development and marketing approval of Oxford BioMedica's product candidates, and the Group's manufacturing facility, are regulated by healthcare regulatory agencies, such as the FDA (USA), EMA (Europe), and MHRA (UK). During the development stage, regulatory reviews of clinical trial applications or amendments can prolong development timelines. Similarly, there can be no assurance of gaining the necessary marketing approvals to commercialise products in development. Regulatory authorities may impose restrictions on a product's use or may require additional data before granting approval. 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. The Group's laboratories and manufacturing facility are also subject to regular audits by the MHRA to ensure that they comply with Good Laboratory Practice and Good Manufacturing Practice standards. Failure to meet such standards could result in the laboratories or the manufacturing site being closed until corrective actions have been implemented and accepted by the regulator.

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

Longer-term commercialisation risks
In the longer term, the success of the Group's products will depend on the regulatory and commercial environment several years into the future. Future commercialisation risks include:

- The emergence of new and/or unexpected competitor products or technologies. The biotechnology and pharmaceutical industries are subject to rapid technological change which could affect the success of the Group's product candidates or make them obsolete.
- Regulatory authorities becoming increasingly demanding regarding efficacy standards or risk averse regarding safety
- Governments or other payers being unwilling to pay/reimburse gene therapy products at a level which would justify the investment. Based on clinical studies to date, the Group's LentiVector® platform product candidates have the unique potential to provide permanent therapeutic benefit from a single administration. The pricing of these therapies will depend on assessments of their cost-benefit and cost effectiveness.
- The willingness of physicians and/or healthcare systems to adopt new treatment regimes

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

Attraction and retention of key employees
Whilst the Group has entered into employment arrangements with each of its key personnel with the aim of securing their services, the retention of their services cannot be guaranteed. Oxford BioMedica is significantly dependent on certain scientific and management personnel. Incentivisation of key employees to remain with the Group remains critical to the Group's success. The loss of those employees could weaken the Group's scientific and management capabilities, resulting in delays in the development of its drugs and impacting negatively on the Group's business. The biotechnology industry has a highly competitive market for qualified scientific and managerial employees. Competitors may try to recruit some of the Group's important employees. Recruiting and retaining management and scientific personnel as the Group develops will be critical to the Group's success.

Financial risks
The Group is exposed to several financial risks:

- Product liability and insurance risk
- Foreign currency exposure
- Continuing losses

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

Foreign currency exposure
The Group records its transactions and prepares its financial statements in pounds sterling, but currently the majority of the Group's income from collaborative agreements and patent licences is received in US dollars. Furthermore the Group incurs a proportion of its expenditure in US dollars and other currencies, especially the Euro, relating primarily to pre-clinical and clinical development that it conducts in the US and other countries outside the UK. The Group's cash balances are predominantly held in pounds sterling. In the short to medium term, covering a period that is at least 12 months from the date of this document, expenditure denominated in foreign currency is matched to a significant degree by income denominated in US dollars such that the risk of material losses or gains on one is hedged by the other. To the extent that the Group's foreign currency assets and liabilities in the longer term are not so well matched, fluctuations in exchange rates between pounds sterling, the US dollar and the Euro may result in realised and unrealised gains and losses on translation of the underlying currency into pounds sterling that may increase or decrease the Group's results of operations and may adversely affect the Group's financial condition, each stated in pounds sterling. In addition if the currencies in which the Group earns its revenues and/or holds its cash balances weaken against the currencies in which it incurs its expenses, this could adversely affect the Group's future profitability.

Continuing losses
The Group expects to incur significant further costs as it continues to develop its portfolio of candidate products, manufacturing capability and related technology. The Directors estimate that the current cash and available for sale investments held by the Group will be sufficient to support the current level of activities into the first quarter of 2014, without any additional revenue streams. Based on anticipated progress in the business in 2013, the Directors also expect to secure additional collaborative and/or commercial manufacturing income, or 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 in order to conserve cash and extend the cash runway.

The Board of Directors

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1. Nick Rodgers (54)
Non-Executive Chairman

Appointment:
— Appointed a Director in March 2004 and became Chairman in May 2011.

Committee membership:
— Chairman of Nomination and Audit Committees

Mr Rodgers is a former investment banker with considerable experience in the life sciences sector. He is currently Chairman of SEHTA Enterprises Limited, the commercial arm of South East Health Technologies Alliance and a Director of Productiv Limited, an automotive technology enabler. Until January 2013 he was Chief Executive of Ipso Ventures plc 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, and had also worked in the listing department of the London Stock Exchange.

2. John Dawson (53)
Chief Executive Officer

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

Committee membership:
— None

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

3. Tim Watts (55)
Chief Financial Officer

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

Committee membership:
— None

Mr Watts has over 20 years' experience in the pharmaceutical and biotechnology sectors. In 1985 he joined ICI, initially in the corporate headquarters and from 1990 in the pharmaceuticals division, eventually becoming Finance Director of the Zeneca Pharmaceuticals business. Following the merger of Astra and Zeneca, Mr Watts became Group Financial Controller of AstraZeneca PLC in 2001. In 2007 he left AstraZeneca to become Chief Financial Officer at Archimedes Pharma. Mr Watts is a member of the Institute of Chartered Accountants in England and Wales.

4. Dr Stuart Naylor (49)
Chief Scientific Officer

Appointment:
— Appointed a Director in July 2008

Committee membership:
— None

Dr Naylor joined Oxford BioMedica in 1997. His career has covered many aspects of tumour biology from its molecular basis to the clinic and he established an international reputation at two world class cancer institutes – the Imperial Cancer Research Fund and the Institute of Cancer Research. He has published numerous primary and review articles notably in the field of cytokine research and gene therapy and has an extensive network of collaborators in many aspects of basic and translational research, clinical oncology and ophthalmology.

5. Peter Nolan (60)
Senior Vice President, Commercial Development

Appointment:
— Appointed a Director in May 2002

Committee membership:
— None

Peter Nolan was appointed to the Board in May 2002 having been a senior member of the Company since its foundation. He is currently 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.

6. Dr Andrew Heath (64)
Deputy Chairman and Senior Independent Director

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

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

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

7. Dr Paul Blake (65)
Non-Executive Director

Appointment:
— Appointed a Director in January 2010

Committee membership:
— Chairman of Remuneration Committee, Nomination Committee

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 and 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.

8. Martin Diggle (50)
Non-Executive Director

Appointment:
— Appointed a Director in October 2012

Committee membership:
— None

Mr Diggle is a founder of Vulpes Investment Management, a Cayman Fund Manager which currently manages five funds including the Vulpes Life Sciences Fund which is the Group's largest shareholder. An investment professional with over 29 years' experience in investment banking and fund management, Mr Diggle has extensive, first-hand knowledge of the global financial markets and is an expert in emerging markets and Russia, in particular, where he was a Partner and Director of UBS Brunswick between 1994 and 2003. He has been an investor in life sciences and biotechnology since 1999 and has developed a passionate interest in the sector having worked closely with several companies as a stakeholder over the past decade. Mr Diggle holds a master's degree in Philosophy, Politics and Economics from University of Oxford.

The Board
The Board is collectively responsible for promoting the success of the Group by directing and supervising the Group's activities to create shareholder value. In doing so it ensures there are robust corporate governance and risk management processes in place.

The Board considers that it has complied throughout the year with the UK Corporate Governance Code (the "Code") except where indicated below in this report.

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

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

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. Certain responsibilities are delegated to three board committees – the Audit, Nomination and Remuneration Committees. These committees operate under clearly defined terms of reference. Reports from these committees are included on pages 39 to 46.

From January 2012 to October 2012 the Board comprised the non-Executive Chairman, four Executive Directors and two other non-Executive Directors. 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. On 4 October 2012 Martin Diggle was appointed as a non-Executive Director so that there are now four Executive Directors and four non-Executive Directors. The Chairman met the independence criteria recommended by the Code when he was appointed in May 2011. Andrew Heath, the Senior Independent Director, and Paul Blake are considered to be independent. Martin Diggle, is a founder of Vulpes Investment Management which, through its Vulpes Life Sciences Fund, is the Group's largest investor and as such he is not considered independent under the Code. The Group therefore complies with provision B.1.2 of the Code which recommends that a small company should have at least two independent non-Executive Directors.

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. All Directors and the Board and its committees have access to advice and services of the Company Secretary, and also to external professional advisers as required. The appointment and removal of the Company Secretary is a matter for the Board as a whole to consider. The Chairman's other commitments do not adversely impact the time he can devote to the Group.

Board meetings
The Board meets regularly with meeting dates agreed for each year in advance. During 2012 there were 12 board meetings including one called at short notice on 28 June 2012 to approve the placing and open offer. The attendance of individual Directors at board and committee meetings was as follows:

	Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Paul Blake	12	11			4	4	2	2
John Dawson	12	12						
Martin Diggle[1]	3	3						
Andrew Heath	12	12	2	2	4	4	2	2
Stuart Naylor	12	12						
Peter Nolan	12	10						
Nick Rodgers	12	12	2	2			2	2
Tim Watts[2]	10	10						

1. Martin Diggle was appointed to the Board on 4 October 2012
2. Tim Watts was appointed to the Board on 9 February 2012

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

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 retire from office by rotation.

At the 2013 Annual General Meeting the following Directors will retire from the Board and stand for re-election in accordance with article 38 of the Company's articles of association:

— Martin Diggle

— Paul Blake

— Nick Rodgers

Review of performance
During November 2012 the Board carried out a comprehensive self-assessment of its performance during the year. Both the Chairman and the Senior Independent Director separately and confidentially sought the input of individual Directors, and the Company Secretary prepared an analysis of the Company's governance performance as compared with the requirements of the Code. The Board collectively reviewed and discussed these inputs in December and concluded that the Board's composition, modus operandi and dynamics are appropriate for the Company and have worked well during 2012.

Communication with shareholders
The Board recognises the importance of effective communication with shareholders and endeavours to achieve this using a variety of channels. These include:

— Chief Executive Officer and Chief Financial Officer meetings with institutional shareholders – there were a substantial number of these meetings in 2012, particularly during May and June leading up to the placing and open offer announced on 29 June 2012.

— Chairman and Senior Independent Director meetings with shareholders – the Chairman and Senior Independent Director have meetings, as required, with major shareholders and the Senior Independent Director is available to shareholders if concerns cannot be resolved through normal channels.

— Announcement of preliminary results (6 March 2012), interim results (31 August 2012) and interim management statements (11 May 2012 and 14 November 2012) – the preliminary and interim results announcements are followed with an analyst briefing and simultaneous conference call which can be accessed by all shareholders.

— Annual Report – the 2011 Annual Report was published on 27 April 2012

— Annual General Meeting – this was held in London on 7 June 2012. A number of shareholders attended the meeting, the results of which were announced that afternoon.

— Announcements of material developments through the London Stock Exchange and other news services

— The Company's Investor Relations Manager works closely with the Company's brokers and regularly discusses Company matters with current and potential investors

— Group website – the website contains details of the Group's activities as well as copies of regulatory announcements and press releases, and copies of the Group's financial statements.

Risk management
The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving the objectives of the Group. The Executive Directors and other senior managers are accountable for identifying the risks and formulating risk mitigation plans. The active involvement of the Executive Directors in the management committees allows them to monitor and assess significant business, operational, financial, compliance and other risks. The Executive Directors provide reports to each board meeting covering, inter alia, financing, investor relations, research and development, clinical development, financial performance, commercial interactions and intellectual property management.

Management
Management is conducted by the Chief Executive Officer and the Executive Directors who, together with other senior managers, form the senior management team. The Executive Directors participate actively in the functional and cross-functional activities of the Group such that a direct link exists between the determination of strategy by the Board and the execution of the Company's policies by management and employees.

Board committee reports:

Audit Committee report
The Audit Committee comprises two non-Executive Directors: Nick Rodgers (chairman) and Andrew Heath. The Board considers that both members of the Audit Committee possess recent and relevant financial experience. Provision C.3.1 of the Code states that the company Chairman should not chair the Audit Committee. When the composition of the 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 in compliance with the Code and, when appropriate, the intention is to appoint an appropriately qualified independent non-Executive Director who could chair the Audit Committee.

The primary duties of the Audit Committee, as set out in its written terms of reference, are to:

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

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

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

Provision C.3.5 of the Code states that the Audit Committee should review the effectiveness of the Company's internal audit function. The Audit Committee considers that, given the size of the Company, it is unnecessary for it to have an internal audit function.

The Audit Committee met twice in 2012, shortly before the announcements of the 2011 preliminary results in March 2012 and the 2012 interim results in August 2012. The Chief Financial Officer and the external auditors attended both meetings at the Committee's invitation. In March the Committee considered the auditors' Audit Clearance Memorandum for the year ended 31 December 2011 and in August the Committee reviewed the audit strategy for 2012.

PricewaterhouseCoopers LLP (PwC) have been auditors to the Company and the Group since 1997. The Audit Committee has reviewed the relationship with the auditors and is satisfied with their effectiveness and that they remain independent. The review also included the terms of engagement and audit fees. There are no contractual obligations restricting the Company's choice of external auditor. Following this assessment, the Audit Committee has recommended to the Board that PwC should be reappointed for the 2013 audit and this will be recommended to shareholders at the 2013 Annual General Meeting. At the end of the 2012 audit Miles Saunders will step down as the Group's Senior Statutory Auditor in accordance with PwC's rotation policy. He will be replaced as Senior Statutory Auditor for the 2013 audit by Stuart Newman.

Under the Group's policy on non-audit services, the Audit Committee is advised of and approves all non-audit services provided by the auditors. As part of this approval process, the Audit Committee ensures that the provision of non-audit services will not impact the auditors' objectivity and independence. During 2012, non-audit services provided by PwC included corporate finance services connected with the placing and open offer, tax compliance and advisory services, and advice to the Remuneration Committee relating to the Company's Share Option and Long Term Incentive Plans. The fees payable to PwC in respect of services provided during 2012 are set out in Note 8.

Internal control

The Directors are responsible for Oxford BioMedica's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. 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 2012 was conducted by the Audit Committee, which reported it's findings to the Board, and did not highlight any matters that require reporting to shareholders.

Nomination Committee report

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. During 2012 the Nomination Committee met formally on two occasions, resulting in the appointments of Tim Watts and Martin Diggle to the Board. For the appointment of Tim Watts the Committee engaged the services of a search agency and the search was undertaken against a specific job description. For the appointment of Martin Diggle a search agency was not used as this appointment was made specifically to give Vulpes Life Sciences Fund a seat on the Board given the size of its investment in the Group.

Share capital

The information about the share capital required by the takeover directive is in the Directors' report on page 48.

Directors' remuneration report

Remuneration Committee report

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

The Remuneration Committee members are Paul Blake (chairman) and Andrew Heath who are both independent non-Executive Directors. At the invitation of the Committee chairman and on an agenda-driven basis, other Directors have been invited to attend meetings. During 2012 the Committee met four times.

The responsibilities of the Committee are set out in its terms of reference and include:
— Recommending to the Board the policy and framework for the remuneration of the Executive Directors and senior management. The remuneration of the non-Executive Directors are a matter for the chairman
— Approval of individual remuneration packages for Executive Directors
— Approval of annual performance incentive plans and bonuses payable under such plans
— Approval of the Company's Long Term Incentive Plan for Executive Directors and senior management, and awards granted under such plans
— Approval of options granted to all employees under the Company's share option plan

The Committee has access to professional advice, both inside and outside the Company as required. During 2012 the Committee received advice on the Company's 2007 Share Option Plan and 2007 Long Term Incentive Plan (LTIP) from PricewaterhouseCoopers LLP (PwC). PwC were used for this purpose for continuity of advice because the 2007 Share Option Plan and LTIP were designed by Halliwell Consulting which was acquired by PwC in 2009.

The key activities of the Committee during 2012 have been to
— approve the LTIP awards granted under the LTIP to Executive Directors in June 2012
— approve the overall total of share options granted in 2012 to staff who do not participate in the LTIP
— approve the 2012 bonus payments made to the Executive Directors

The 2011 Remuneration Report was approved at the 2012 Annual General Meeting with 86.4% of the votes cast in favour of the resolution.

Remuneration policy and framework

The Group's policy on remuneration is to provide competitive remuneration for the delivery of target performance with additional incentives to deliver outstanding personal and Group performance. In determining the framework, the Committee refers to independent remuneration surveys and industry trends in remuneration. The current framework provides Executive Directors with
— base salary
— company contributions of 10% of base salary to a defined contribution personal pension scheme,
— discretionary non-pensionable annual incentive plan of up to 60% of base salary
— benefits principally comprising healthcare insurance
— discretionary Long Term Incentive Plan (LTIP)

Directors' service contracts

Executive Directors' service contracts are for an initial term of 12 months and thereafter are subject to 12 months' notice. Contractual termination payments do not exceed the Director's current salary and benefits for the notice period. Non-Executive Directors' service contracts are for an initial term of three years.

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

	Contract date	Unexpired term at 31 December 2012	Notice period	Contractual termination payments
Paul Blake	9 December 2009	0 months[3]	3 months	Notice period only
John Dawson	10 October 2008	NA	12 months	Notice period only
Martin Diggle[1]	4 October 2012	2 years 9 months	3 months	Notice period only
Andrew Heath	9 December 2009	0 months[3]	3 months	Notice period only
Stuart Naylor	1 July 2008	NA	12 months	Notice period only
Peter Nolan	1 May 2002	NA	12 months	Notice period only
Nick Rodgers	5 May 2011	1 years 4 months	12 months	Notice period only
Tim Watts	9 February 2012	NA	12 months	Notice period only
Andrew Wood[2]	31 October 1996	Nil[2]	12 months	Notice period only

1. Martin Diggle was appointed to the Board on 4 October 2012
2. Andrew Wood resigned from the Board on 9 February 2012
3. The initial contracts for Paul Blake and Andrew Heath were for 3 year terms expiring on 31 December 2012. Their contracts have been renewed for a further 3 year term Andrew Heath was re-elected at the 2012 Annual General Meeting. Paul Blake will stand for re-election at the 2013 Annual General Meeting

Chairman and non-Executive Directors
The Chairman's fees are set by the independent non-Executive Directors in consultation with the Chief Executive Officer. The non-Executive Directors' fees are set by the chairman. The Chairman and non-Executive Directors do not receive pension contributions or a bonus and do not participate in the Company's share option schemes.

Executive Directors

Base salary
Executive Directors' base salaries are reviewed annually by the Committee and by reference to remuneration surveys for comparable companies and to the specific experience and performance of the individual. With one exception, there have been no increases to Executive Directors' base salaries in the last three years.

Annual incentive plan
Under the annual incentive plan Executive Directors may, at the discretion of the Committee and subject to achieving corporate and personal performance targets, be awarded non-pensionable cash bonuses of up to 60% of base salary. For the Chief Executive Officer the corporate:personal split is 75:25; for the other Executive Directors the split is 60:40.

For 2012 the Group performance measures related to the following goals:

— Secure funding to at least end of 2013

— Achieve MHRA licence for manufacturing site

— TroVax®/ProSavin® – satisfactory progression of clinical and pre-clinical studies

— Ocular products – satisfactory progression of ocular product clinical studies and relationship with Sanofi

— Other targets

Critically, management was successful in securing further funding and the Committee decided to reward this performance with bonuses of between 5% and 10% of base annual salary. However, although several of the other objectives were delivered in 2012, in light of the share price performance throughout the year, the Committee decided that no further bonuses would be paid to the Executive Directors in respect of 2012.

Long term incentive plan (LTIP)
Directors and senior managers participate in a share-based LTIP. Awards under the LTIP are options exercisable at par. The vesting period is 3 years and vesting is conditional on the achievement of performance criteria which are established at the date of the award.

On 25 March 2012 the LTIP award made on 25 March 2009 was tested against its performance condition which was to achieve at least median Total Shareholder Return (TSR) performance as measured on the third anniversary against a peer group of 20 companies. Since the Company's TSR performance fell below the median level in the peer group, all of the awards granted to Directors on 25 March 2009 have lapsed.

The LTIP awards granted in 2010 and 2011 were subject to the same performance condition as the 2009 LTIP, i.e. TSR performance at least at the median level of the peer group, but a second set of performance conditions was added relating to the delivery of company objectives. Based on the share price on 31 December 2012, it is unlikely that any of the LTIP awards granted in 2010 or 2011 will vest when the performance criteria are tested in 2013 and 2014 respectively.

A further tranche of LTIP awards were granted on 30 June 2012. The performance metric for the 2012 award is Absolute Total Shareholder Return (TSR). This is a change from previous LTIP awards for which the performance condition was relative TSR compared with a peer group. The Committee considers relative TSR performance to be unsatisfactory as options could potentially vest despite a decline in the share price. The 2012 awards will only vest if TSR growth is achieved over the period of the award. Since the Company is unlikely to pay a dividend in the foreseeable future, TSR growth is essentially represented by the share price. By rewarding growth in TSR, the plan will ensure that pay-outs are only achieved if significant returns are made to shareholders through share price appreciation. The vesting schedule is as follows:

	TSR growth over 3 year period	% of award vesting
Below threshold	<100% (i.e. <2 times baseline share price)	0%
Threshold*	100% (i.e. =2 times baseline share price)	25%
Upper level*	200% (i.e. =3.0 times baseline share price)	100%

* Straight line vesting between these points

The baseline share price for the 2012 LTIP awards is 2.50p, being the price used for the firm placing and open offer fund raising announced on 29 June 2012. The awards are nominal cost options exercisable at par and are subject to a three year holding period. They are exercisable from the third anniversary of the award, subject to the achievement of the above performance condition. Although no award can be exercised until the end of the three year vesting period, Directors will be able to "bank" a fraction of the appropriate vesting percentage on each anniversary of the date of grant, should the target have been met at those dates. This will be limited to 25% of the potential vesting amount after one year, 50% after two years and 100% after three years. Banked awards will not actually vest until the third anniversary of award.

Following the introduction of the LTIP in 2007, Executive Directors and certain senior managers who participate in the LTIP no longer receive awards under the Company's share option scheme. Prior to 2007, options were awarded under the share option scheme to Executive Directors. However during 2012 the last tranche of ordinary share options granted to Directors has lapsed so no Directors now have an interest in ordinary share options.

Directors' remuneration*

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

Name of Director	Salary and fees £	Bonus £	Benefits[8] £	Compensation for loss of office £	2012 total (excluding pension) £	2012 pension £	2011 total (excluding pension) £	2011 pension £
Chairman								
Nick Rodgers[1,2]	75,000	–	–	–	**75,000**	**–**	81,388	–
Executive								
John Dawson	330,000	33,000	5,480	–	**368,480**	**33,000**	335,408	33,000
Stuart Naylor	187,500	9,375	2,183	–	**199,058**	**18,750**	189,741	18,750
Peter Nolan	173,565	8,678	3,259	–	**185,502**	**17,356**	176,861	17,357
Andrew Wood[3]	68,213	–	2,072	213,663	**283,948**	**25,661**	222,054	21,995
Tim Watts[4]	184,102	20,000	–	–	**204,102**	**18,410**	–	–
Non–Executive								
Paul Blake	38,500	–	–	–	**38,500**	**–**	37,333	–
Andrew Heath[2]	45,500	–	–	–	**45,500**	**–**	42,000	–
Martin Diggle[5]	–	–	–	–	**–**	**–**	–	–
Former Directors								
Alan Kingsman[6]	–	–	–	–	**–**	**–**	181,062	–
Alex Lewis[7]	–	–	–	–	**–**	**–**	17,500	–
	1,102,380	71,053	12,994	213,663	**1,400,090**	**113,177**	1,283,347	91,102

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. These amounts represent amounts payable to controlled companies for the services of non-Executive Directors
3. Andrew Wood resigned from the Board on 9 February 2012
4. Tim Watts was appointed to the Board on 9 February 2012
5. Martin Diggle was appointed to the Board on 4 October 2012 but receives no remuneration for his services
6. Alan Kingsman resigned from the Board on 5 May 2011
7. Alex Lewis resigned from the Board on 24 May 2011
8. Benefits comprises medical insurance

During 2012, retirement benefits accrued to five Directors (2011: four) under Oxford BioMedica (UK) Limited's defined contribution 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 2012 and 31 December 2011 are shown below.

The Company – ordinary shares of 1p each	31 December 2012 [2]	31 December 2011 [3]
Paul Blake	420,000	200,000
John Dawson	2,000,000	1,700,000
Martin Diggle [1]	361,841,956	353,512,545 [4]
Andrew Heath	320,000	200,000
Stuart Naylor	288,921	88,921
Peter Nolan	563,638	363,638
Nick Rodgers	352,000	152,000
Tim Watts	3,000,000	– [4]

1. Includes interests of Vulpes Life Sciences Fund and other parties connected to Martin Diggle
2. There were no changes in the Directors' shareholdings between 31 December 2012 and the date of this report
3. Andrew Wood, who resigned from the Board on 9 February 2012, held 305,067 shares at 31 December 2011
4. At date of appointment as a Director

Interests in share options*

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

	1 January 2012	Granted	Exercised	Lapsed	31 December 2012	Exercise Price	Date from which exercisable	Expiry Date
Dr Stuart Naylor	120,750	–	–	120,750	–	29.0p	15.12.08	15.12.12
Peter Nolan	153,000	–	–	153,000	–	29.0p	15.12.08	15.12.12

Long-term incentive plan*

Awards have been made to Executive Directors under the LTIP as follows[1]:

	1 January 2012	Granted	Exercised	Lapsed	**31 December 2012**	Award Date	Vesting Date
John Dawson	1,000,000	–	–	–	1,000,000	13.10.08	13.10.11
John Dawson[2,4]	2,500,000	–	–	(2,500,000)	–	25.03.09	25.03.12
John Dawson[2]	1,692,000	–	–	–	1,692,000	15.06.10	15.06.13
John Dawson[2]	1,704,000	–	–	–	1,704,000	13.04.11	13.04.14
John Dawson[3]	–	6,600,000			6,600,000	30.06.12	30.06.15
	6,896,000	6,600,000	–	(2,500,000)	10,996,000		
Stuart Naylor[2,4]	811,000	–	–	(811,000)	–	25.03.09	25.03.12
Stuart Naylor[2]	897,000	–	–	–	897,000	15.06.10	15.06.13
Stuart Naylor[2]	968,000	–	–	–	968,000	13.04.11	13.04.14
Stuart Naylor[3]	–	3,760,000			3,760,000	30.06.12	30.06.15
	2,676,000	3,760,000	–	(811,000)	5,625,000		
Peter Nolan[2,4]	854,000	–	–	(854,000)	–	25.03.09	25.03.12
Peter Nolan[2]	890,000	–	–	–	890,000	15.06.10	15.06.13
Peter Nolan[2]	896,000	–	–	–	896,000	13.04.11	13.04.14
Peter Nolan[3]	–	3,480,000			3,480,000	30.06.12	30.06.15
	2,640,000	3,480,000	–	(854,000)	5,266,000		
Tim Watts[3]	–	6,000,000	–	–	6,000,000	30.06.12	30.06.15
Andrew Wood[2,4,5]	1,082,000	–	–	(1,082,000)	–	25.03.09	25.03.12
Andrew Wood[2,4,5]	1,128,000	–	–	–	1,128,000	15.06.10	15.06.13
Andrew Wood[2,4,5]	1,136,000	–	–	–	1,136,000	13.04.11	13.04.14
	3,346,000	–	–	(1,082,000)	2,264,000		

1. All awards made under the LTIP have been nominal-cost share options (options exercisable at par value). Subject to performance conditions, 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. For the LTIP awards in 2010 and 2011, 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
3. For the 2012 LTIP awards the performance condition is that the share price must reach 5.0p as a minimum before any awards vest (25%) and need to reach 7.5p for 100% vesting of the awards
4. On 25 March 2012 the TSR performance test was applied to the LTIP award made on 25 March 2009. The Company's TSR over the 3 year period was below the median of the comparator group and consequently none of the awards vested
5. Andrew Wood resigned on 9 February 2012. The Company agreed that the LTIP awards held by Mr Wood at 9 February 2012 should not lapse as a consequence of the termination of his employment with the Company, but should 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

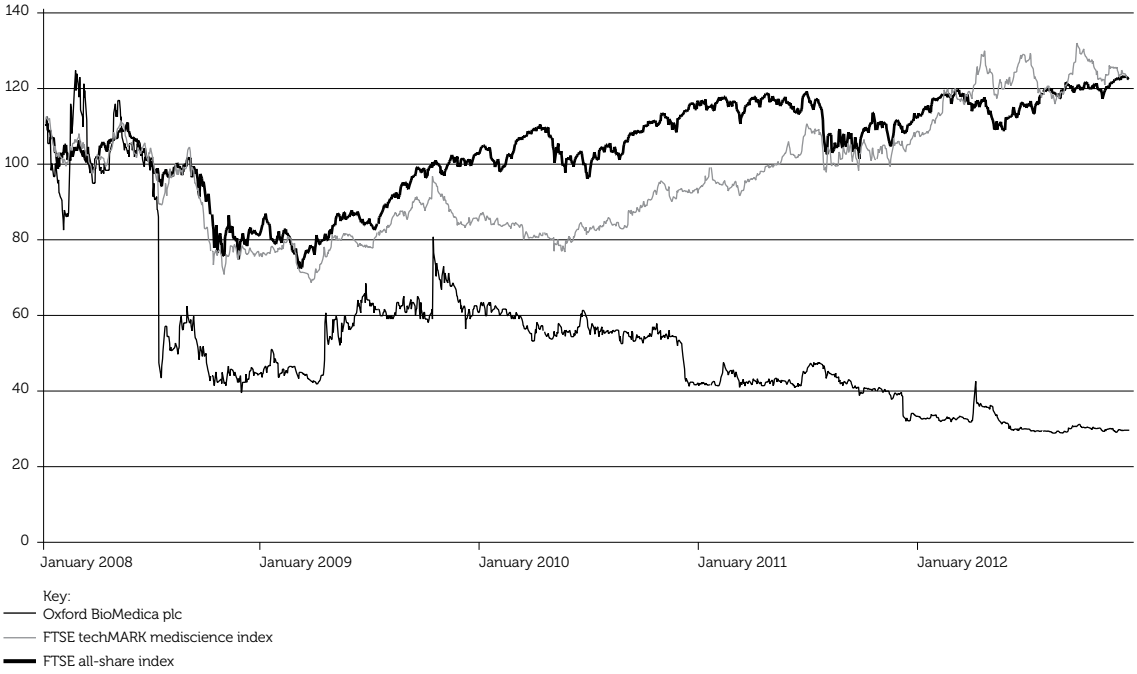
Except as detailed above, no Directors had interests in shares or share options of the Company or any other group company at 31 December 2012. There have been no changes in the interests of the Directors in office at the date of this report in the ordinary shares of the Company between 31 December 2012 and the date of this report.

The market value of ordinary shares as at 31 December 2012 was 2.3p (31 December 2011: 3.5p). The market value of ordinary shares during the year ranged from 2.05p to 5.8p.

Comparison of five year total shareholder return

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

The sharp fall in the share price and relative TSR in 2008 was due to the failure of the TroVax® "TRIST" study to meet its primary end point. The decline at the end of 2010 was prompted by the announcement of a fundraising, and in December 2011 there was a further decline following the announcement of interim update on the ProSavin® Phase I/II study in Parkinson's Disease.



Dr Paul Blake

Chairman of the Remuneration Committee

Directors' report

for the year ended 31 December 2012

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2012 as set out on pages 51 to 77. This report should be read in conjunction with the Governance reports on pages 36 to 46.

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 Group's technology platform includes a highly efficient LentiVector® gene delivery system, 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 Company is listed on the London Stock Exchange.

More detail on the principal activity is contained in the operational review on pages 13 to 27.

Business review and future developments
A review of the Group's activities and future developments is contained within the introduction pages 1 to 3, 6 and 7, the Chairman's message page 4, the Chief Executive Officer's review page 8, the operational review on pages 13 to 27, and the financial review on pages 28 to 29. The consolidated statement of comprehensive income for the year is set out on page 51.

Key performance indicators (KPIs)
Key performance indicators are outlined in the financial review on pages 28 to 29.

Corporate governance
The Company's statement on corporate governance is included in the corporate governance report on pages 38 to 40 of these financial statements.

Risk management
The Group's risk management objectives and exposure to risks is set out on pages 32 to 35 (principal risks and uncertainties) and pages 60 to 61 (note 3: financial risk management).

Dividends
The Directors do not recommend payment of a dividend (2011: £nil).

Directors
The current Directors of the Company and their biographical details are given on pages 36 to 37. As previously announced, Andrew Wood resigned from the Board on 9 February 2012 and Tim Watts was appointed Chief Financial Officer and Company Secretary from that date. Martin Diggle was appointed to the Board as a non-Executive Director on 4 October 2012. The contracts of employment of the Executive Directors are subject to twelve months' notice. The Directors' remuneration and their interests in the share capital of the Company at 31 December 2012 are disclosed in the Remuneration Committee report on pages 41 to 46.

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.

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 2012 and at the date of approval of the financial statements.

Share capital

Structure of the Company's capital
The Company's share capital comprises a single class of 1p ordinary shares, each carrying one vote and all ranking equally with each other. Following the adoption of new articles of association in 2010, the authorised share capital of the Company is unlimited. On 26 July 2012 the Company issued 463,362,652 new ordinary shares at 2.5p per share in a placing and open offer raising £11.6 million before expenses. On 14 November 2012 the Company issued 7,910,796 new ordinary shares at 2.47p per share to licensors of patent rights. At 31 December 2012 the Company had 1,416,149,005 shares in issue, all allotted and fully paid. There are no restrictions on the transfer of shares in the Company or on voting rights. All shares are admitted to trading on the London Stock Exchange.

Rights to issue and buy back shares

Each year at the 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 7 June 2012, authority was given to allot up to 314,958,519 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.

Substantial shareholdings

At 14 February 2013, the latest practical date prior to approval of the Directors' report, the Company had been notified of the following shareholdings amounting to 3% or more of the ordinary share capital of the Company.

Shareholder	Number of ordinary shares	Percentage of issued share capital
Vulpes Life Sciences Fund	361,829,411	25.6%
M&G Investment Management Limited	257,435,087	18.2%
JP Morgan Asset Management	78,909,732	5.6%
Barclays Stockbrokers	61,236,891	4.3%
TD Waterhouse Stockbrokers	56,892,519	4.0%
GAM London Limited	43,389,470	3.1%

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

Group research and development activities

During 2012 the Group incurred non-exceptional research and development expenditure of £14,015,000 (2011: £14,710,000). In 2011, the Group also incurred exceptional research and development costs of £3,136,000. These costs were expensed in the statement of comprehensive income. Further information is given in the operational review pages 13 to 27 and financial review pages 28 to 29.

Charitable donations

In 2012 the Board agreed to make a charitable donation of £1,200 to the Sue Kingsman scholarship fund (Carriacou Childrens' Education Fund) which will allow it to fund one student for a two-year course. This donation was made in memory of Dr Susan Kingsman, a former Director, who died in 2011. No charitable donations were made in 2011.

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 30 to 31.

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.

Supplier payment policy

The Group pays its suppliers in accordance with the terms and conditions agreed in advance with each supplier. The Group's average creditor payment period at 31 December 2012 was 27 days (2011: 27 days). The Company has no trade payables (2011: nil).

Going concern
Oxford BioMedica plc is a research and development based business with no currently marketed products. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the introduction pages 1 to 3, 6 and 7, the Chairman's message page 4, the Chief Executive Officer's review page 8, the operational review on pages 13 to 21 and the principal risks and uncertainties on pages 32 to 35. The financial position of the Group, including its cash flows, is described in the financial review on pages 28 to 29. In addition, note 3 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 expects to incur significant further costs as it continues to develop its portfolio of candidate products, manufacturing capability and related technology. The Directors estimate that the current cash and available for sale investments held by the Group will be sufficient to support the current level of activities into the first quarter of 2014, without any additional revenue streams. Based on anticipated progress in the business in 2013, the Directors also expect to secure additional collaborative and/or commercial manufacturing income, or 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 in order to conserve cash and extend the cash runway.

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.

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 Group'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 Group'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 each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

By order of the Board

Tim Watts
Company secretary
26 February 2013

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 2012 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 49, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts 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 2012 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;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 38 to 40 with respect to internal control and risk management systems and about share capital structures is consistant with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 49 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
26 February 2013

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	Notes	2012 Total £'000	2011 Pre-exceptional items £'000	2011 Exceptional items (note 6) £'000	2011 Total £'000
Revenue	4	**7,756**	**7,718**	–	7,718
Cost of sales		**(667)**	**(555)**	–	(555)
Gross profit		**7,089**	**7,163**	–	7,163
Research and development costs	8	**(14,015)**	**(14,710)**	(3,136)	(17,846)
Administrative expenses	8	**(3,619)**	**(3,811)**	–	(3,811)
Other operating income: grants receivable		**58**	**56**	–	56
Operating loss		**(10,487)**	**(11,302)**	(3,136)	(14,438)
Finance income	7	**141**	**144**	–	144
Finance costs	7	**(3)**	**(8)**	–	(8)
Loss before tax		**(10,349)**	**(11,166)**	(3,136)	(14,302)
Taxation	9	**1,619**	**1,671**	–	1,671
Loss for the year	26	**(8,730)**	**(9,495)**	(3,136)	(12,631)
Other comprehensive income					
Exchange adjustments		**–**	**(2)**	–	(2)
Total recognised comprehensive expense for the year attributable to owners of the parent		**(8,730)**	**(9,497)**	(3,136)	(12,633)
Basic loss and diluted loss per ordinary share	10	**(0.76p)**			(1.35p)

Balance sheets

as at 31 December 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Assets					
Non–current assets					
Intangible assets	12	**2,931**	3,106	**–**	–
Property, plant and equipment	13	**3,902**	4,213	**–**	–
Financial assets: Investments in subsidiaries	14	**–**	–	**31,841**	33,115
		6,833	7,319	**31,841**	33,115
Current assets					
Trade and other receivables	15	**1,705**	2,800	**11**	1
Current tax assets		**1,824**	1,641	**–**	–
Financial assets: Available for sale investments	16	**5,105**	7,500	**–**	–
Cash and cash equivalents	16	**8,956**	6,835	**743**	–
		17,590	18,776	**754**	1
Current liabilities					
Trade and other payables	17	**2,702**	3,226	**23**	46
Deferred income	18	**1,568**	4,386	**–**	–
Provisions	19	**–**	41	**–**	–
		4,270	7,653	**23**	46
Net current assets/(liabilities)		**13,320**	11,123	**731**	(45)
Non–current liabilities					
Deferred income	18	**–**	170	**–**	–
Provisions	19	**510**	501	**–**	–
		510	671	**–**	–
Net assets		**19,643**	17,771	**32,572**	33,070
Equity attributable to owners of the parent					
Ordinary shares	22	**14,162**	9,449	**14,162**	9,449
Share premium	23	**130,304**	124,755	**130,304**	124,755
Merger reserve	27	**14,310**	14,310	**13,599**	13,599
Other reserves	27	**(682)**	(682)	**4,642**	4,302
Accumulated losses	26	**(138,451)**	(130,061)	**(130,135)**	(119,035)
Total equity		**19,643**	17,771	**32,572**	33,070

The Company's registered number is 03252665.

The financial statements on pages 51 to 77 were approved by the Board of Directors on 26 February 2013 and were signed on its behalf by:

John Dawson
Chief Executive Officer

Statements of cash flows

for the year ended 31 December 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash flows from operating activities					
Cash used in operations	28	**(11,470)**	(14,323)	**(293)**	(139)
Interest paid		**(3)**	–	**–**	–
Tax credit received		**1,500**	1,418	**–**	–
Overseas tax paid		**(64)**	(78)	**–**	–
Net cash used in operating activities		**(10,037)**	(12,983)	**(293)**	(139)
Cash flows from investing activities					
Loan to subsidiary		**–**	–	**(9,226)**	(18,433)
Purchases of property, plant and equipment		**(476)**	(3,640)	**–**	–
Purchases of intangible assets		**(195)**	(9)	**–**	–
Net maturity/(purchase) of available for sale investments		**2,395**	(1,897)	**–**	–
Interest received		**172**	144	**–**	–
Net cash generated from/(used in) investing activities		**1,896**	(5,402)	**(9,226)**	(18,433)
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**11,779**	20,000	**11,779**	20,000
Costs of share issues		**(1,517)**	(1,430)	**(1,517)**	(1,430)
Net cash generated from financing activities		**10,262**	18,570	**10,262**	18,570
Net increase/(decrease) in cash and cash equivalents		**2,121**	185	**743**	(2)
Cash and cash equivalents at 1 January		**6,835**	6,653	**–**	2
Effects of exchange rate changes		**–**	(3)	**–**	–
Cash and cash equivalents at 31 December	16	**8,956**	6,835	**743**	–

Statements of changes in equity attributable to owners of the parent

for the year ended 31 December 2012

Group	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 1 January 2011		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	25	–	–	–	–	431	431
Issue of shares excluding options	22, 23	4,000	16,000	–	–	–	20,000
Costs of share issues	23	–	(1,632)	–	–	–	(1,632)
At 31 December 2011		**9,449**	**124,755**	**14,310**	**(682)**	**(130,061)**	**17,771**
Year ended 31 December 2012:							
Exchange adjustments		**–**	**–**	**–**	**–**	**–**	**–**
Loss for the year		**–**	**–**	**–**	**–**	**(8,730)**	**(8,730)**
Total comprehensive expense for the year		**–**	**–**	**–**		**(8,730)**	**(8,730)**
Transactions with owners:							
Share options							
Value of employee services	25	**–**	**–**	**–**	**–**	**340**	**340**
Issue of shares excluding options	22, 23	**4,713**	**7,066**	**–**	**–**	**–**	**11,779**
Costs of share issues	23	**–**	**(1,517)**	**–**	**–**	**–**	**(1,517)**
At 31 December 2012		**14,162**	**130,304**	**14,310**	**(682)**	**(138,451)**	**19,643**

Company	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2011		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	11	–	–	–	–	(15,861)	(15,861)
Transactions with owners:							
Share options							
Credit in relation to employee share schemes	25	–	–	–	431	–	431
Issue of shares excluding options	22, 23	4,000	16,000	–	–	–	20,000
Costs of share issues	23	–	(1,632)	–	–	–	(1,632)
At 31 December 2011		**9,449**	**124,755**	**13,599**	**4,302**	**(119,035)**	**33,070**
Year ended 31 December 2012:							
Loss for the year		**–**	**–**	**–**	**–**	**(11,100)**	**(11,100)**
Total comprehensive expense for the year	11	**–**	**–**	**–**	**–**	**(11,100)**	**(11,100)**
Transactions with owners:							
Share options							
Credit in relation to employee share schemes	25	**–**	**–**	**–**	**340**	**–**	**340**
Issue of shares excluding options	22, 23	**4,713**	**7,066**	**–**	**–**	**–**	**11,779**
Costs of share issues	23	**–**	**(1,517)**	**–**	**–**	**–**	**(1,517)**
At 31 December 2012		**14,162**	**130,304**	**13,599**	**4,642**	**(130,135)**	**32,572**

1, Accounting policies

Oxford BioMedica plc (the Company) is a company incorporated and domiciled in the United Kingdom and listed on the London Stock Exchange. The consolidated financial statements for the year ended 31 December 2012 comprise the results of the Company and its subsidiary undertakings (together referred to as the Group). The Company's principal subsidiary is Oxford BioMedica UK Limited.

The Group is a gene therapy research and development based business with no currently marketed products.

Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated. The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and with the Companies Act 2006.

As fully explained in the Directors' report on pages 47 to 49 the going concern basis has been adopted in preparing the financial statements.

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

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

Going concern

Oxford BioMedica plc is a research and development based business with no currently marketed products. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the introduction pages 1 to 3, 6 and 7, the Chairman's message page 4, the Chief Executive Officer's review page 8, the operational review on pages 13 to 27, and the principal risks and uncertainties on pages 32 to 35. The financial position of the Group, including its cash flows, is described in the financial review on pages 28 to 29. In addition, note 3 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 expects to incur significant further costs as it continues to develop its portfolio of candidate products, manufacturing capability and related technology. The Directors estimate that the current cash and available for sale investments held by the Group will be sufficient to support the current level of activities into the first quarter of 2014, without any additional revenue streams. Based on anticipated progress in the business in 2013, the Directors also expect to secure additional collaborative and/or commercial manufacturing income, or 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 in order to conserve cash and extend the cash runway.

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, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012, but are not currently relevant for the Group.

- Amendments to IFRS 7, 'Financial instruments: Disclosures'
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation.
- Amendment to IAS 12, 'Income taxes', on deferred tax.

The new standards, new interpretations and amendments to standards and interpretations listed below have been issued but are not effective for the financial year beginning 1 January 2012 and have not been adopted early.

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

- IAS 19, 'Employee benefits', amended in June 2011.
- IFRS 10, 'Consolidated financial statements'.
- IFRS 11, 'Joint arrangements', issued in May 2011.
- IFRS 12, 'Disclosures of interests in other entities'.
- IFRS 13, 'Fair value measurement'.
- IFRIC 20, 'Stripping costs in the production phase of a surface mine'
- Amendment to IAS 27, 'Separate Financial statements'.
- Amendment to IAS 28, 'Associates and joint ventures'.
- Amendment to IFRS 7, 'Financial instruments: Disclosures'.
- Amendment to IAS32, 'Financial instruments: Presentation'.
- Amendment to IFRS 1, 'First time adoption', on government loans.
- Amendment to IAS 1, 'Presentation of financial statements'.
- Amendments to IFRS 10, 11 and 12, 'Transitional Guidance'.
- Annual improvements 2011.

The Group is assessing whether the following standard will have any impact on the accounting for financial instruments:

— IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption.

Basis of consolidation

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

All intragroup transactions and balances are eliminated on consolidation.

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

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

Foreign currencies

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

The assets and liabilities of foreign operations, including goodwill, intangible assets and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations, and of related qualifying hedges, are taken directly to the translation reserve. They are released into the statement of comprehensive income upon disposal.

Revenue

Revenue comprises income from product and technology licence transactions, funded research and development programmes, and fees charged for providing short-term scientific services to third parties.

Product licence transactions typically have an initial upfront non-refundable payment on execution of the licence, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Technology licence transactions typically have an initial upfront 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 upfront 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.

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

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

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

Share based payments
The Group's share option scheme and Long Term Incentive Plans allow Group employees to acquire shares of the Company, subject to certain criteria. The fair value of options granted is recognised as an expense of employment in the income statement with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted under the share option scheme is measured using the Black-Scholes model. The fair value of options granted under the LTIP scheme, which includes performance criteria, is measured using a Monte Carlo model taking into account the conditions under which the options were granted. At each financial year end, the Group revises its estimate of the number of options that are expected to become exercisable based on forfeiture such that at the end of the vesting period the cumulative charge reflects the actual options that have vested, with no charge for those options which were forfeit prior to vesting. When share options are exercised the proceeds received are credited to equity.

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

Grants
Income from government and other grants is recognised over the period necessary to match them with the related costs which they are intended to compensate, 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. The difference between grant income receivable and income recognised is included in deferred income.

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.

Finance income and costs
Finance income and costs comprise interest income and interest payable during the year, calculated using the effective interest rate method, and fair value adjustments.

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

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

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

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

Amortisation
Where the intangible asset has a finite life amortisation is charged on a straight line basis over the remaining useful economic life from the time they become available for use. Where the useful life of the intangible asset cannot be determined, the asset is carried at cost but tested annually for impairment. Intangible assets are amortised over the length of the patent life; current lives range from 5 to 19 years.

Impairment
The carrying value of non-financial assets 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.

For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash-generating units. Impairment losses are recognised for the amount by which each asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset is no longer being developed by the 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 an appropriate discount rate.

— The cash flow projections are a long-term view, based on the expected patent life. Due to the length of the development cycle for innovative medicines, this period is significantly longer than 5 years.

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

Impairment and amortisation charges are included within research 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.

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

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

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

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

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

Financial assets: investments
Investments are carried at cost less any provision made for impairment. Options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with 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. Investments in subsidiary undertakings including shares and loans are carried at cost less any impairment provision. Such investments are subject to review, and any impairment is charged to the statement of comprehensive income. At each year end the Directors review the carrying value of the Company's investment in subsidiaries. Where there is a material and sustained shortfall in the market capitalisation, or a significant and sustained change in the business resulting in a decrease in market capitalisation, the Directors consider this to be a trigger of an impairment review as set out in IAS 36, and the carrying value of the Company's investments in subsidiaries is adjusted. The Directors consider that reference to the market capitalisation of the Group is an appropriate external measure of the value of the Group for this purpose.

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.

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

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

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

Deferred income
Deferred income is the excess of cash received under license transactions, funded research and development, and fees for services provided to third parties and grants over the amounts recognised as revenue.

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

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

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

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

2, Critical accounting judgements and estimates

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

Revenue recognition

In 2009 the Group received an upfront 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 the expected duration of the initial stage of the collaboration for each of the four products. During 2012, the recognition period has been varied to recognise that i) Sanofi has exercised its options over StarGen™ and UshStat® and will take over these studies before June 2013, ii) the RetinoStat® study will complete during 2013, and iii) the utilisation of EncorStat® funding on the other three products. As at December 2012 revenue of £15.9 million has been recognised under this collaboration, of which £3.4 million was recognised in 2012. The remaining £0.7 million is expected to be recognised as income in the next 12 months and is classified as current deferred income, with £nil classified as non-current.

If the revenue recognition periods had been three months longer, the amount of revenue recognised in 2012 would have been reduced by £0.6 million (2011: £0.6 million) and the amount of deferred income carried forward at 31 December 2012 increased by £0.6 million (2011: £0.6 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 2012 £13.3 million (2011: £11.4 million) had been recognised as revenue and £0.6 million (2011: £0.4 million) had been classified as current deferred income. If the estimated total project expenditure had been 5% higher, the amount of revenue recognised up to 31 December 2012 would have been £0.6 million (2011: £0.6 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 whether an impairment exists. This risk is now concentrated on purchased patent rights which have been sublicensed to collaborative partners. At 31 December 2012 the book value of intangible assets was £2.9 million of which £1.9 million related to PrimeBoost technology. In respect of intellectual property rights and in-process R&D relating to Hi8®-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 Hi8®-MEL asset down to £nil.

3, Financial risk management

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.

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 United States Dollars. The majority of operating costs are denominated in Sterling. In 2012, the level of US Dollar-denominated receipts was to some extent matched by US-Dollar denominated payments, such that a 10% difference in the £/$ exchange rate would have had an impact of approximately £66,000 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 Company had a slightly greater exposure to the £/€ exchange rate due to the need to fund expenditure denominated in Euros. Had the pound been 10% weaker in relation to the Euro, the increased cost in 2012 would have been approximately £178,000.

(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 2012 was just £141,000 (2011: £144,000).

If interest rates had been 100 basis points higher/lower in 2012 the impact on net loss would have been a decrease/increase of £73,000 (2011: £111,000) 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 parent company raised £11.6 million before costs from a placing and open offer which closed on 26 July 2012. Future working capital is expected to be provided by commercial collaborations. Such collaborations typically provide funding from milestone-based payments, which are significant in size but infrequent. There can be no certainty that this source of funding will be sufficient, and that additional funding from other sources, including the issue of further shares, will not be required. In planning the Group's activities and its financial resources, the Directors take account of the probability of receiving income from commercial collaborations, and of the likely availability of other sources of funding. The Company's spending plans are set to achieve a balance between adding value to the key development programmes while seeking to maximise the operating window provided by current funds. The Directors' current financial projections provide a reasonable basis from which they have concluded that the Group's financial resources are sufficient for the foreseeable future, and that there is presently no material cash flow or liquidity risk.

(e) Pricing risk
Currently 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. This is achieved through frequent re-forecasting of the cash flow position so as to provide the Board with a clear view on when further cash injections may be required. As discussed in the financial review, the cash balance and the cash burn are part of the Group's Key Performance Indicators. 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 2012 or 31 December 2011, and hedge accounting has not been used.

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

4, Segmental analysis

Segmental reporting

The chief operating decision-maker has been identified as the Senior Management Group (SMG), comprising the Executive Directors and other senior managers. 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, consolidated basis in order to assess performance and allocate resources. 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 predominantly from the European Union. No revenue is derived from the United Kingdom.

Revenue by customer location	2012 £'000	2011 £'000
Europe	**7,376**	7,379
Rest of world	**380**	339
Total revenue	**7,756**	**7,718**

Revenue attributable to the ocular collaboration with Sanofi was £7,259,000 (2011: £7,316,000).

5, Employees and Directors

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

By activity	2012 Number	2011 Number
Office and management	**10**	10
Research and development	**73**	76
Total	**83**	86

Employee benefit costs	2012 £'000	2011 £'000
Wages and salaries	**4,446**	4,436
Social security costs	**561**	519
Post-employment benefits (note 29)	**342**	329
Termination benefits	**398**	47
Share based payments (note 25)	**340**	431
Total employee benefit costs	**6,087**	5,762

Key management compensation	2012 £'000	2011 £'000
Wages and salaries	**1,812**	2,037
Social security costs	**208**	227
Post-employment benefits	**152**	150
Termination benefits	**266**	–
Share based payments	**230**	326
Total	**2,668**	2,740

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 41 to 46, which forms part of these financial statements.

The Company had no employees during the year (2011: none).

6, 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	2012 £'000	2011 £'000
Exceptional research and development costs	–	3,136

In 2011, at the conclusion of a divestment process which did not secure a partner for Hi8®-Mel, the residual carrying value of £3,136,000 was impaired.

7, Finance income and costs

Group	2012 £'000	2011 £'000
Finance income:		
Bank interest receivable	**141**	144
Total finance income	**141**	144
Finance costs:		
Unwinding of discount in provisions (note 19)	**(3)**	(8)
Total finance costs	**(3)**	(8)
Net finance income	**138**	136

8, Expenses by nature

		Group		Company	
	Notes	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Excluding exceptional items:					
Employee benefit costs	5	**6,087**	5,762	**–**	–
Depreciation of property, plant and equipment	13	**601**	336	**–**	–
Amortisation	12	**370**	450	**–**	–
Impairment of investment	14	**–**	–	**10,840**	15,725
Research and development		**14,015**	14,710	**–**	–
Operating lease payments		**523**	1,123	**–**	–
Net loss/(gain) on foreign exchange		**74**	(21)	**–**	–
Exceptional items:					
Impairment of intangible assets		**–**	3,136	**–**	–

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

	Group	
Services provided by the Group's auditors	2012 £'000	2011 £'000
Fees payable for the audit of the parent company and consolidated financial statements	**23**	44
Fees payable for other services:		
The audit of the Company's subsidiaries	**68**	38
Additional fees related to the prior year audit	**10**	–
Tax advisory services	**85**	23
Tax compliance services	**15**	11
Services relating to completed company finance transactions	**229**	–
Total	**430**	116

9, 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 2012 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 2012 have not yet been agreed with the relevant tax authorities.

	Group	
	2012 £'000	2011 £'000
Current tax		
United Kingdom corporation tax research and development credit	**(1,497)**	(1,641)
Overseas taxation	**1**	58
	(1,496)	(1,583)
Adjustments in respect of prior periods		
United Kingdom corporation tax research and development credit	**(120)**	(87)
Overseas taxation	**(3)**	(1)
Taxation credit	**(1,619)**	(1,671)

The Company has no tax liability, nor is it entitled to tax credits (2011: £nil).

The tax credit for the year is lower (2011: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Loss on ordinary activities before tax	**(10,349)**	(14,302)	**(11,100)**	(15,861)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	**(2,536)**	(3,790)	**(2,720)**	(4,203)
Effects of:				
Tax depreciation and other timing differences	**66**	979	**–**	–
Expenses not deductible for tax purposes (includes impairment of investments in subsidiaries)	**93**	45	**2,656**	4,167
R&D relief mark–up on expenses	**(1,977)**	(1,949)	**–**	–
Difference in rate relating to R&D tax credits	**1,743**	1,766	**–**	–
Tax deduction for share options less than share option accounting charge	**101**	174	**–**	–
Overseas tax	**–**	5	**–**	–
Tax losses carried forward to future periods	**1,026**	1,207	**64**	36
Overseas tax difference in rate	**(12)**	(20)	**–**	–
Adjustments in respect of prior periods	**(123)**	(88)	**–**	–
Current tax credit for the year	**(1,619)**	(1,671)	**–**	–

At 31 December 2012, the Group had tax losses to be carried forward of approximately £90.9 million (2011: £87.3 million). Of the Group tax losses, £90.9 million (2011: £87.3 million) arose in the United Kingdom.

There is no deferred tax recognised (see note 21).

10, 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 2012 (1,146,473,109; 2011: 935,012,543).

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.

11, 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 £11,100,000 (2011: £15,861,000). The loss includes a charge of £10,840,000 (2011: £15,725,000) for impairment of investments in subsidiaries.

12, Intangible assets

Group	In-process R&D £'000	Intellectual property rights £'000	Total £'000
Cost			
At 1 January 2012	10,400	5,298	15,698
Additions	–	195	195
At 31 December 2012	**10,400**	**5,493**	**15,893**
Accumulated amortisation and impairment			
At 1 January 2012	10,400	2,192	12,592
Amortisation charge for the year	–	370	370
At 31 December 2012	**10,400**	**2,562**	**12,962**
Net book amount at 31 December 2012	**–**	**2,931**	**2,931**
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**

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. There are currently no assets with indefinite useful lives.

In-process R&D relates to the product Hi8®-MEL acquired as part of the acquisition of Oxxon Therapeutics Limited in 2007. During 2011 a process to divest Hi8®-MEL was concluded without securing a partner. The asset was fully impaired in 2011 with a charge of £3,136,000.

The Company had no intangibles at 31 December 2012 or 31 December 2011.

13, Property, plant and equipment

Group	Freehold property £'000	Short leasehold improve-ments £'000	Office equipment and computers £'000	Manufacturing and Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2012	3,115	3,011	606	3,316	10,048
Additions at cost	15	17	30	254	316
Disposals	–	(424)	(45)	–	(469)
At 31 December 2012	**3,130**	**2,604**	**591**	**3,570**	**9,895**
Accumulated depreciation					
At 1 January 2012	45	2,810	388	2,592	5,835
Charge for the year	213	63	98	227	601
Disposals	–	(424)	(19)	–	(443)
At 31 December 2012	**258**	**2,449**	**467**	**2,819**	**5,993**
Net book amount at 31 December 2012	**2,872**	**155**	**124**	**751**	**3,902**

	Freehold Property £'000	Short leasehold improve-ments £'000	Office equipment and computers £'000	Manufacturing and 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**
Accumulated 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**

The Company had no property, plant and equipment at 31 December 2012 or 31 December 2011.

14, Investment in subsidiaries

Fixed asset investments: company	2012 £'000	2011 £'000
Shares in group undertakings		
At 1 January and 31 December	**17,158**	17,158
Loans to group undertakings		
At 1 January	**128,856**	110,423
Loan advanced in the year	**9,031**	18,433
Subsidiary debt settled by issue of parent shares	**195**	–
At 31 December	**138,082**	128,856
Total investments in shares and loans to group undertakings	**155,240**	146,014
Impairment		
At 1 January	**117,201**	101,476
Impairment charge in the year	**10,840**	15,725
At 31 December	**128,041**	117,201
Net book amount at 31 December	**27,199**	28,813
Capital contribution in respect of employee share schemes (see note 26)		
At 1 January	**4,302**	3,871
Additions in the year	**340**	431
At 31 December	**4,642**	4,302
Total investments	**31,841**	33,115

The Group had no investments at 31 December 2012 (2011: 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. Where there is a material and sustained shortfall in the market capitalisation, or a significant and sustained change in the business resulting in a decrease in market capitalisation, the Directors consider this to be a trigger of an impairment review as set out in IAS 36, and the carrying value of the Company's investments in subsidiaries is adjusted. The Directors consider that reference to the market capitalisation of the Group is an appropriate external measure of the value of the Group for this purpose. Following an impairment review at 31 December 2012 a £10.8m impairment charge was recognised. Cumulative impairment of £128.0m has been recognised to 31 December 2012.

During 2012 the employees of BioMedica Inc. were made redundant and the office lease reached the end of its term. The intention is to make the company dormant in 2013.

15, Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Current				
Trade receivables	**315**	154	**–**	–
Accrued income	**400**	33	**–**	–
Other receivables	**184**	256	**–**	–
Other tax receivable	**140**	858	**–**	–
Prepayments	**666**	1,499	**11**	1
Total trade and other receivables	**1,705**	2,800	**11**	1

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £204,000 (2011: £nil) which are past due at the reporting date. The Group does not hold any collateral over these balances. No provision for impairment of receivables has been recognised as £131,000 has been received after the year end in relation to these debts; the Directors do not believe there has been a significant change in credit quality and consider the remaining amounts to be recoverable in full.

Ageing of past due but not impaired trade receivables:

	2012 £'000	2011 £'000
0–30 days	**40**	–
30–60 days	**–**	–
60+ days	**164**	–
	204	–

Accrued income of £400,000 (2011: £33,000) relates to R&D funding receivable from Sanofi.

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

	2012 £'000	2011 £'000
Sterling	**968**	1,841
US Dollar	**737**	959
	1,705	2,800

The Company's receivables are all denominated in Sterling.

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

16, Cash and cash equivalents

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Cash at bank and in hand	**8,956**	6,835	**743**	–

In addition to the cash and cash equivalents described above, the Group held Sterling bank deposits of £5,105,000 (2011: £7,500,000) with a maturity of between three and twelve months classified as available for sale investments. None of these deposits are past due or impaired.

The Company held no available for sale investments in 2012 or 2011.

17, Trade and other payables – current

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade payables	**881**	1,200	**–**	–
Other taxation and social security	**157**	161	**–**	–
Accruals	**1,664**	1,865	**23**	46
Total trade and other payables	**2,702**	3,226	**23**	46

18, Deferred income

Group	**2012 £'000**	2011 £'000
Current	**1,568**	4,386
Non-current	**–**	170
Total deferred income	**1,568**	4,556

On 28 April 2009 the Company entered into a collaborative programme with Sanofi to develop gene therapy products to treat ocular diseases. An initial non-refundable sum of US$26 million (£16,641,000) was received. Prior to 2012 this was being recognised as revenue on a straight line basis over 42 to 51 months, being the expected duration of the initial stage of the collaboration for each of the four products. In 2012, the period has been varied to recognise that i) Sanofi has exercised its options over StarGen™ and UshStat® and will take over these studies before June 2013, ii) the RetinoStat® study will complete during 2013, and iii) the utilisation of EncorStat® funding on the other three products. Revenue to date of £15,854,000 has been recognised under this collaboration, of which £3,414,000 was recognised in 2012 (2011: £4,665,000). The remaining £787,000 (2011: £4,031,000) is expected to be recognised as revenue in the next 12 months and is classified as current deferred income, with £nil (2011: £170,000) 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, £13,319,000 ($21,091,000) has been recognised as revenue, of which £1,932,000 was recognised in 2012. £621,000 (2011: £355,000) has been classified as current deferred income.

The Company had no deferred income in 2012 or 2011.

19, Provisions

Group	**Dilapidations £'000**	**Onerous lease £'000**	**Total £'000**
At 1 January 2012	501	41	542
Exchange adjustments	–	–	–
Utilised in the year	–	(41)	(41)
Unwinding of discount	3	–	3
Change of discount rate – adjustment to recognised property, plant and equipment	6	–	6
At 31 December 2012	**510**	**–**	**510**
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 property, plant and equipment	37	–	37
At 31 December 2011	**501**	**41**	**542**

	2012 £'000	2011 £'000
Current	**–**	41
Non-current	**510**	501
Total provisions	**510**	542

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 2011. The provision will be utilised at the end of the leases if they are not renewed.

The onerous lease provision related to the estimated rental shortfall in respect of a redundant property in San Diego, USA which was 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 2011. The provision was fully utilised in 2012.

The Company had no provisions at 31 December 2012 or 31 December 2011.

20, 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 3 relating to risk management.

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

	Assets		Liabilities	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Cash and cash equivalents (note 16)	**8,956**	6,835	**–**	–
Available for sale investments	**5,105**	7,500	**–**	–
Trade receivables and other receivables (note 15)	**499**	410	**–**	–
Trade and other payables excluding tax (note 17)	**–**	–	**2,545**	3,065
	14,560	14,745	**2,545**	3,065

All the available for sale investments held at 31 December 2012 and 31 December 2011 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.

	2012			2011		
	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	**1.64%**	**93 days**	**1.70%**	1.48%	225 days	0.75%
Euro	**0.65%**	**262 days**	**1.15%**	1.25%	31 days	0.55%
US Dollars	**0.65%**	**262 days**	**0.65%**	0.65%	31 days	0.66%

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 2012 or 31 December 2011.

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

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

	2012 £'000	2011 £'000
Sterling	**6,133**	6,692
Euro	**–**	4
US Dollar	**2,823**	139
	8,956	6,835

21, Deferred taxation

Neither the Company nor the Group had any recognised deferred tax assets or liabilities at 31 December 2012 (2011: £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.

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and that will be effective from 1 April 2013, the relevant unrecognised deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 December 2013 has been measured using the effective rate that will apply in the UK for the period (23%).

Further changes to the UK Corporation tax system were announced in the Autumn Statement 2012. This includes a further reduction to the main rate to reduce the rate to 21% from 1 April 2014. This change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements. The overall effect of this further change, if it applied to the deferred tax balance at the balance sheet date, would be to reduce the unrecognised deferred tax asset by an additional £1.9m.

Group **Deferred tax liabilities/(assets) – not recognised**	Tax depreciation £'000	Provisions £'000	Tax losses £'000	Share options £'000	Total £'000
At 1 January 2012	(696)	(343)	(21,828)	(60)	(22,927)
Origination and reversal of temporary differences	(45)	219	916	22	1,112
At 31 December 2012	**(741)**	**(124)**	**(20,912)**	**(38)**	**(21,815)**
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)**

22, Called-up share capital

Group and Company **Issued and fully paid**	2012 £'000	2011 £'000
Ordinary shares of 1p each		
At 1 January – 944,875,557 (2011: 544,875,557) shares	**9,449**	5,449
Allotted for cash in placing and open offer – 463,362,652 (2011: 400,000,000) shares	**4,634**	4,000
Allotted for cash to licensors of patent rights – 7,910,796 (2011: nil) shares	**79**	–
At 31 December – 1,416,149,005 (2011: 944,875,557) shares	**14,162**	9,449

On 26 July 2012 the Company issued 463,362,652 new ordinary shares of 1p each in a placing and open offer at 2.5p per share, raising £11.6 million before costs. Costs of this share issue, including commission payable on completion, were £1.5m.

On 14 November 2012 to two licensors of patent rights subscribed for 7,910,796 new ordinary shares of 1p each under an agreement signed in 2008. The shares were offered at 2.47p per share.

23, Share premium account

Group and Company	2012 £'000	2011 £'000
At 1 January	**124,755**	110,387
Premium on shares issued for cash in placing and open offer	**6,950**	16,000
Premium on shares issued to licensors of patent rights	**116**	–
Costs associated with the issue of shares	**(1,517)**	(1,632)
At 31 December	**130,304**	124,755

24, 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)

Eligible employees are awarded either share options or long term incentive plan (LTIP) awards at the discretion of the Remuneration Committee. Executive Directors and other senior managers are awarded options under the LTIP and not under the 2007 Scheme.

Options granted under the 1996 and 2007 Schemes have fixed exercise prices based on the market price at the date of grant. They are not subject to market condition performance criteria and the lives of the options are seven years (1996 Scheme) and ten years (2007 Scheme), after which the options expire. Options granted prior to 2012 cannot normally be exercised before the third anniversary of the date of grant. Options granted under the 2007 Scheme during 2012 vest in tranches of 25% from the first to fourth anniversaries of the grant dates.

Options granted under the LTIP to Directors and other senior managers are subject to market condition performance criteria and will vest only if, at the third anniversary of the grant, the performance criteria have been met. Failure to meet the minimum performance criteria by the third anniversary results in all the granted options lapsing. The performance criteria are described in the Directors' remuneration report. LTIP awards made to date are exercisable at par on the third anniversary of the date of grant.

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 2012 was as follows:

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

2012 Number of shares	2011 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
–	1,853,999	20.25p to 43.25p	01/04/08 to 15/12/08	01/04/12 to 15/12/12
623,693	966,904	28.25p to 31.0p	21/03/09 to 06/09/09	21/03/13 to 06/09/13
623,693	2,820,903			

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

2012 Number of shares	2011 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
722,017	972,411	22.0p to 49.25p	08/03/10 to 14/12/10	08/03/17 to 14/12/17
1,025,221	1,422,107	5.75p to 22.5p	13/03/11 to 13/10/11	13/03/18 to 13/10/18
1,587,554	2,160,236	6.10p to 11.25p	25/03/12 to 08/10/12	25/03/19 to 08/10/19
1,693,408	2,566,803	9.50p to 9.69p	01/04/13 to 13/09/13	01/04/20 to 13/09/20
2,625,381	3,759,097	5.40p to 5.82p	15/03/14 to 04/10/14	15/03/21 to 04/10/21
5,322,945	–	2.28p to 3.10p	08/05/13 to 21/12/13	08/05/22 to 21/12/22
12,976,526	10,880,654			

Options granted under the Oxford BioMedica Long Term Incentive Plan

2012 Number of shares	2011 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
1,150,000	1,150,000	1p	13/10/11	13/10/18
–	5,524,000	1p	25/03/12	25/03/19
5,568,000	5,568,000	1p	15/06/13	15/06/20
6,537,000	6,537,000	1p	13/04/14 to 07/09/14	13/04/21 to 07/09/21
25,590,000	–	1p	30/06/15	30/06/22
38,845,000	18,779,000			
52,445,219	32,480,557			

Options granted to UK employees could give rise to a national insurance (NI) liability on exercise. For options granted up to October 2006 under the 1996 scheme, the Company obtained undertakings from the holders of the relevant options to pay any 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 a NI liability could arise on the exercise of the options. A provision of £2,000 (2011: £4,000) 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 2.3p (2011: 3.5p) per share.

25, Share based payments

Options, other than LTIP awards, have been valued using a Black-Scholes option pricing model. For each relevant option grant, individual valuation assumptions were assessed based upon conditions at the date of grant. The assumptions in the calculation of fair values in 2012 were as follows:

Share options	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 options granted 08.05.12 to 21.12.12
Share price at grant date	6.08p to 11.75p	9.10p to 9.50p	4.76p to 5.38p	2.3p to 3.8p
Exercise price	6.10p to 11.25p	9.50p to 9.69p	5.40p to 5.82p	2.28p to 3.10p
Vesting period (years)	3.00	3.00	3.00	25% tranches
Total number of shares under option	2,726,789	2,923,421	3,759,097	5,322,945
Expected volatility (weighted average)	75.2%	76.0%	74.7%	76.1%
Expected life (years, weighted average)	5.77	5.76	5.98	5.50
Risk free rate (weighted average)	2.71%	2.41%	1.79%	1.82%
Expected rate of forfeit before vesting (weighted average)	26.4%	16.7%	16.2%	12.5%
Fair value per option	3.94p to 7.93p	6.00p to 6.28p	2.99p to 3.47p	1.31p to 2.85p

LTIP awards	LTIP award 25.03.09	LTIP award 15.06.10	LTIP awards 13.04.11 and 07.09.11	LTIP award 30.06.12
Share price at grant date	6.08p	10.25p	5.60p to 5.61p	2.34p
Exercise price	1.00p	1.00p	1.00p	1.00p
Vesting period (years)	3.0	3.0	3.00	3.00
Total number of shares under option	7,296,000	6,106,000	6,537,000	25,590,000
Expected volatility (weighted average)	60.0%	89.1%	83.8%	52.5%
Expected life (years)	3.0	3.0	3.00	3.00
Risk free rate (weighted average)	2.11%	1.55%	1.73%	0.38%
Expected rate of forfeit before vesting (weighted average)	24.3%	8.8%	0.0%	0.0%
Expectation of meeting performance criteria (weighted average)	74%	83%	84%	10%
Fair value per option	3.90p	7.40p	3.93p to 4.05p	0.63p

Excluding the LTIP awards, which are exercisable at par subject to satisfaction of the performance conditions, the weighted average exercise price for options granted during the year was 3.07p (2011: 5.5p). No options were exercised in 2012 or 2011. The total charge for the year relating to employee share based payment plans was £340,000 (2011: £431,000), all of which related to equity-settled share based payment transactions. The movements in options in the year to 31 December 2012 and an analysis of options outstanding at the year end are shown below.

	2012		2011	
Share options excluding LTIP	**Number**	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**13,701,557**	**15.1p**	16,840,509	25.9p
Granted	**5,826,902**	**3.07p**	3,759,097	5.5p
Expired	**(1,853,999)**	**29.2p**	(6,134,941)	39.3p
Forfeited	**(4,074,241)**	**40.3p**	(763,108)	9.7p
Exercised	**–**	**–**	–	–
Outstanding at 31 December	**13,600,219**	**9.1p**	13,701,557	15.1p
Exercisable at 31 December	**3,958,485**	**19.5p**	5,215,421	27.0p
Exercisable and where market price exceeds exercise price at 31 December	**–**	**N/a**	–	N/a

LTIP awards (options exercisable at par value 1p)	**2012 Number**	2011 Number
Outstanding at 1 January	**18,779,000**	18,756,088
Granted	**25,590,000**	6,537,000
Expired	**(5,524,000)**	(5,077,088)
Forfeited	**–**	(1,437,000)
Outstanding at 31 December	**38,845,000**	18,779,000
Exercisable at 31 December	**1,150,000**	1,150,000

	2012			2011		
Range of exercise prices	**Weighted average exercise price**	**Number of shares**	**Weighted average remaining life (years) Contractual**	Weighted average exercise price	Number of shares	Weighted average remaining life (years) Contractual
LTIP:						
Exercisable at par	**1.0p**	**38,845,000**	**8.9**	1.0p	18,779,000	1.35
Options:						
Under 10p	**4.9p**	**10,461,617**	**8.6**	6.9p	7,393,832	8.90
10p to 20p	**10.6p**	**1,562,446**	**6.6**	10.6p	2,160,522	7.58
20p to 30p	**26.2p**	**604,669**	**4.1**	26.0p	2,403,463	1.73
30p to 40p	**33.6p**	**468,616**	**4.1**	33.5p	780,115	3.30
40p to 50p	**48.2p**	**502,871**	**4.2**	46.3p	963,625	3.55
		52,445,219			32,480,557	

26, Accumulated losses

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
At 1 January	**(130,061)**	(117,861)	**(119,035)**	(103,174)
Loss for the year	**(8,730)**	(12,631)	**(11,100)**	(15,861)
Share based payments (note 25)	**340**	431	**–**	–
At 31 December	**(138,451)**	(130,061)	**(130,135)**	(119,035)

Neither the Company nor its subsidiary undertakings had reserves available for distribution at 31 December 2012 or 31 December 2011.

27, Other reserves

Group	**Translation reserve £'000**	**Merger reserve £'000**	**Total £'000**
At 1 January 2012	(682)	14,310	13,628
Exchange adjustments	–	–	–
At 31 December 2012	**(682)**	**14,310**	**13,628**
At 1 January 2011	(680)	14,310	13,630
Exchange adjustments	(2)	–	(2)
At 31 December 2011	**(682)**	**14,310**	**13,628**

The Group merger reserve at 31 December 2012 and 2011 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 2012	13,599	4,302
Credit in relation to employee share schemes	–	340
At 31 December 2012	**13,599**	**4,642**
At 1 January 2011	13,599	3,871
Credit in relation to employee share schemes	–	431
At 31 December 2011	**13,599**	**4,302**

Options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRS 2 'Share-based Payment' the expense in respect of these awards is recognised in the subsidiaries' financial statements (see note 25). In accordance with IFRIC 11, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment of £340,000 (2011: £431,000) (see note 14) and a corresponding credit to reserves.

28, Cash flows from operating activities

Reconciliation of loss before tax to net cash used in operations

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Continuing operations				
Loss before tax	**(10,349)**	(14,302)	**(11,100)**	(15,861)
Adjustment for:				
Depreciation	**601**	336	**–**	–
Amortisation of intangible assets	**370**	450	**–**	–
Loss on disposal of property, plant and equipment	**26**	–	**–**	–
Charge for impairment	**–**	3,136	**10,840**	15,725
Finance income	**(141)**	(144)	**–**	–
Finance expense	**3**	8	**–**	–
Charge in relation to employee share schemes	**340**	431	**–**	–
Changes in working capital:				
Decrease/(increase) in trade and other receivables	**1,224**	1,229	**(10)**	14
Decrease in trade and other payables	**(524)**	(539)	**(23)**	(17)
Decrease in deferred income	**(2,988)**	(4,846)	**–**	–
Decrease in provisions	**(32)**	(82)	**–**	–
Net cash used in operations	**(11,470)**	(14,323)	**(293)**	(139)

29, 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 £342,000 (2011: £329,000) represents amounts payable by the Group to the scheme. Contributions of £8,000 (2011: £40,000), included in accruals, were payable to the scheme at the year-end.

30, Operating lease commitments – minimum lease payments

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

Group	**2012 £'000**	2011 £'000
Not later than one year	**583**	953
Later than one year and not later than five years	**1,298**	2,031
Total lease commitments	**1,881**	2,984
Total future minimum sublease payments receivable	**–**	255

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. In 2011 the figures for property leases included a redundant building in San Diego, USA which had been sub-let. A provision of £nil (2011: £41,000) had been made for the expected rental shortfall under this lease as the lease ended in 2012 (see note 19).

The Company had no operating lease commitments during the year (2011: none).

31, Contingent liabilities and capital commitments

The Group had commitments of £148,000 for capital expenditure for leasehold improvements, plant and equipment not provided in the financial statements at 31 December 2012 (2011: £112,000).

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	2012 £'000	2011 £'000
Purchases:		
Parent company expenses paid by subsidiary	**(969)**	(1,501)
Transactions involving Parent Company shares:		
Subsidiary royalty liability settled by issue of parent company shares	**195**	–
Cash management:		
Cash loaned by parent to subsidiary	**10,000**	19,934

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	2012 £'000	2011 £'000
Loan to subsidiary	**138,082**	128,856

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 £4,642,000 (2011: £4,302,000).

There were no transactions (2011: 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 group chairman) was paid a consultancy fee of £77,083 in 2011.

Martin Diggle, a non-Executive Director of the Company, is a founder of Vulpes Investment Management which is a shareholder of the Company. In the July 2012 placing and open offer, Vulpes subscribed for 200,000,000 shares at a cost of 2.5p per share. Further details of the shareholding at 31 December 2012 can be found in the Corporate Governance section on page 44.

There were no outstanding balances in respect of transactions with Directors and connected persons at 31 December 2012 (2011: none).

Key person remuneration can be seen in the Directors' remuneration report on pages 41 to 46.

Technology and product glossary

LentiVector® platform
Oxford BioMedica's LentiVector® platform technology is an advanced lentiviral vector based gene delivery system which is designed to overcome the safety and delivery problems associated with earlier generations of vector systems. The technology can stably deliver genes into cells with up to 100% efficiency and can integrate genes into non-dividing cells including neurons in the brain and retinal cells in the eye. In such cell types, studies suggest that gene expression could be maintained indefinitely. The LentiVector® platform technology also has a larger capacity than most other vector systems and can accommodate multiple therapeutic genes.

ProSavin®: Parkinson's disease
ProSavin® is a gene-based treatment for Parkinson's disease, a progressive movement disorder caused by the degeneration of dopamine producing nerve cells in the brain. ProSavin® uses the Company's LentiVector® platform technology to deliver the genes for three enzymes that are required for the synthesis of dopamine. The product is administered locally to the region of the brain called the striatum, converting cells into a replacement dopamine factory within the brain, thus replacing the patient's own lost source of the neurotransmitter.

RetinoStat®: "wet" age-related macular degeneration
RetinoStat® is a gene-based treatment for neovascular "wet" age-related macular degeneration (AMD) and diabetic retinopathy (DR). RetinoStat® aims to preserve and improve the vision of patients through anti-angiogenesis; blocking the formation of new blood vessels. The product uses the Company's LentiVector® platform technology to deliver two anti-angiogenic genes, endostatin and angiostatin, directly to the retina.

StarGen™: Stargardt 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 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 trabecular meshwork of the eye, the tissue mainly responsible for draining the internal fluid of the eye (aqueous humour). As the aqueous humour builds up, it causes increased intraocular pressure which can damage the optic nerve and lead to premature patches of vision loss or, in some 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 comprises a modified vaccinia virus Ankara (MVA) vector, encoding 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 a potent anti-cancer agent. The product binds to the 5T4 antigen on the surface of cancerous cells. Once bound, the complex is internalised by the tumour cell, the anti-cancer agent is released from the antibody, and the free drug kills the cancerous cell.

Anti-angiogenisis
The creation of new blood vessels, known as angiogenesis, is a critical element in tumour formation and growth. Endostatin and angiostatin were discovered by one of the best known researchers in the field of angiogenesis, Dr Judah Folkman of Children's Hospital and the Harvard Medical School in Boston. The proteins have shown potent anti-cancer activity in preclinical models and a potentially additive effect when used in combination.

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 PrimeBoost technology can stimulate potentially potent and specific cellular immune responses against diseased cells, even those expressing very low levels of the antigen.

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