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Oxford BioMedica

Annual Report & Accounts 2009

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Improving vision, enhanced potential

bioMedica

Oxford BioMedica

Oxford BioMedica is a leading biopharmaceutical company in gene therapy and immunotherapy that designs and develops highly innovative gene-based medicines for the treatment of age-related or inherited neurodegenerative disorders, cancer and ocular diseases.

Our Mission

Our mission is to change the face of healthcare and to improve the quality of life for patients with high unmet medical needs by exploiting state-of-the-art technology, working as a fully-aligned highly qualified team and by employing the highest standards of integrity to develop life-changing medicines

Our Vision

Our vision is to build a leading biopharmaceutical company that is sustainable, self-sufficient and highly profitable and to generate significant returns for shareholders through the application of scientific, operational and commercial excellence

During 2009, we have strengthened our financial resources and enhanced the potential of our core LentiVector and 5T4 antigen technologies. Our new collaboration with sanofi-aventis enables us to advance the development of four LentiVector-based products to treat ocular diseases.

Highlights

LentiVector®

ProSavin®: Parkinson's disease

- First dose level in Phase I/II trial showed sustained efficacy at 12 months
- Enhanced administration has potential to accelerate development
- Regulatory approval to evaluate higher dose level
- Ground-breaking preclinical results published in journal

LentiVector®

Ocular Gene Therapies

- Landmark partnership with sanofi-aventis in ophthalmology
- Received US$26 million upfront payment
- Committed funding for three years to develop four gene therapies
- RetinoStat and StarGen on track to enter clinical development in 2010

5T4 Tumour Antigen

TroVax®: Cancer

- Further analysis of Phase III TRIST study confirmed subset efficacy
- Received US$17 4 million regarding termination from sanofi-aventis
- Support from FDA for further trials in multiple cancers
- Phase II trial in prostate cancer expected to start in 2010

Financial

Year ended 31 December 2009

- Revenue of £19 1 million (2008 £18 4 million)
- Research & development costs of £18 3 million (2008 £27 0 million)
- Net loss before exceptional items of £9 5 million (2008 £5 5 million)
- Net loss after exceptional items of £3 5 million (2008 £10 0 million)
- Net cash generated[1] of £3 0 million (2008 net cash burn[1] of £16 9 million)
- Net cash[2] of £25 3 million (2008 £21 9 million)

1 Net cash generated/used in operating activities plus sales and purchases of non-current assets
2 Cash cash equivalents and current financial assets

Oxford BioMedica
Company Overview

Gene therapy and immunotherapy have enormous potential to benefit the lives of patients. Oxford BioMedica is one of the leading companies in this field with a platform of exclusive and innovative technologies to design and develop unique gene-based medicines.

Through in-house and collaborative development, we have established a broad pipeline of gene-based medicines. Our in-house capabilities span research, clinical development, regulatory affairs and manufacturing. At the end of 2009, our staff numbered 65, mainly based in our laboratories and offices in Oxford. We also have a wholly owned subsidiary, BioMedica Inc, based in San Diego, USA.

Our two lead programmes are a gene therapy for Parkinson's disease (ProSavin) in Phase I/II development and a therapeutic cancer vaccine (TroVax) in Phase II development. Through our collaboration with sanofi-aventis, two of the four gene therapies for ocular diseases are expected to enter clinical development in 2010.

In addition to sanofi-aventis, our partners include Pfizer, Sigma-Aldrich and charitable organisations such as the Foundation Fighting Blindness, the ALS Therapy Development Institute and the Motor Neurone Disease Association. Our proprietary LentiVector technology is used extensively in drug discovery and has been licensed by leading pharmaceutical companies, including Biogen Idec, GlaxoSmithKline, Merck & Co and Pfizer for their own research activities.

We maintain the highest standards of integrity in our dealings with all parties, including shareholders, employees, patients, healthcare professionals, partners, and licensees. Through scientific, commercial and operational excellence, we aim to maximise returns for shareholders.

Our novel gene-based medicines have the potential to transform treatment prospects, thus improving the quality and duration of life for patients with debilitating and life threatening diseases.

Product Pipeline

Platform	Product Partner/Funding	Indication	Stage of Development
LentiVector®	**ProSavin®**	Parkinson's disease	Phase I/II trial ongoing
	RetinoStat® sanofi-aventis	Wet age-related macular degeneration	IND preparation
	StarGen™ sanofi-aventis	Stargardt disease	CTA preparation
	UshStat™ sanofi-aventis	Usher syndrome	Preclinical
	EncorStat® sanofi-aventis	Corneal graft rejection	Preclinical
	MoNuDin® ALS TDI[1]	Motor neuron disease	Research
ST4 Tumour Antigen	**TroVax®**	Prostate cancer	Phase II trial preparation
	Anti-ST4 antibody Pfizer	Cancer	Preclinical
Prime Boost	**Hi-8® MEL**	Melanoma	Phase IIa trial completed
GDEPT[2]	**MetXia®**	Pancreatic cancer	Phase IIa trial completed
Anti Angiogenesis	**EndoAnglo-GT**	Cancer	Research

1 Amyotrophic Lateral Sclerosis Therapy Development Institute 2 Gene-directed enzyme prodrug therapy

Chief Executive's Viewpoint Strategy and Objectives

John Dawson, Chief Executive Officer of Oxford BioMedica, sets out the three inter-related themes of the Company's core strategy. He reflects on the progress made and actions taken during 2009 and describes the Company's strategic priorities and goals.

1. Risk Management

Our gene-based treatments have the potential to change the face of healthcare, but realising the value of innovation within the field of biotechnology comes with inherent risk Our strategy is to mitigate both technical and financial risk through partnerships that bring the clinical and commercialisation capabilities required to maximise the market potential of our products

The structure of our ophthalmic collaboration with sanofi-aventis illustrates our approach to risk management With funding from sanofi-aventis, we are able to drive the development of our four gene therapy candidates for ocular diseases and as these products move closer to market we will benefit from the development and commercial expertise of our partner The broad scope of our partnership mitigates our risk and leverages our technology platform

We are pursuing multiple partnering initiatives in 2010 with a primary focus on TroVax and ProSavin We are seeking collaborations for both products as we plan the next stages of their development With patience and tenacity, I believe that we can secure the right deal with the right partner to take these programmes forward We are also seeking partners for our other clinical programmes, Hi-8 MEL and MetXia

"Our strategy is to retain maximum value from the commercialisation of our technology platform by working with academic and industry partners to manage internal risk and resources; and also to explore new opportunities for sustainable value creation."

2. Resource Allocation

We operate a business model that combines in-house and collaborative Research and Development (R&D) Our development priorities and in-house R&D investment are a trade-off between benefit, risk and budget constraints Naturally, our strategy is to optimise our investment in R&D to get the maximum return However, as we are constrained by a limited budget, we have implemented a rigorous project evaluation process and have set clearly defined targets for go/no-go decisions

In 2009, our R&D activities were focused on TroVax, ProSavin and the funded ocular programmes We also maintained important investment in our LentiVector platform and we continue to work with various academic groups and charitable organisations as a cost-effective means of advancing some early-stage opportunities By expanding our use of external clinical and regulatory experts and engaging more scientific advisors, our project teams have access to medical opinion leaders and experienced industry professionals

For our in-house priority programmes, we have set a budget to achieve specific value creation development milestones within our current financial resources These include completion of the ongoing Phase I/II trial of ProSavin and conducting cost-effective Phase II studies of TroVax with support from clinicians or trial networks We believe that further investment in these two programmes is the most effective use of our resources as we seek to create value, secure partnerships and accelerate our path to profitability

3. Timely Delivery

The history of biological drug development is beset with challenges that have extended the time to market for many of today's most commercially successful drugs Consistent with other biotech companies in the sector, forecasting development timelines is particularly exacting for products, such as ours, which are based on ground-breaking science that offer new treatment approaches

As a leader in the field of gene therapy, we are working in partnership with regulatory agencies to define de novo development paths for our LentiVector-based product candidates We are committed to provide guidance on timelines that is based on realistic assumptions and transparency with regards to the regulatory uncertainties

We continuously review the efficiency of our in-house R&D efforts to ensure that roles and responsibilities are aligned with the Company's strategic priorities In 2009, we implemented several organisational changes that are designed to enhance our productivity and the timely delivery of our in-house development goals

Business Development
ProSavin®: Parkinson's Disease

LentiVector®

ProSavin®: Parkinson's Disease

ProSavin has the potential to address an unmet medical need in Parkinson's disease, offering long-lasting benefit from a single administration with an excellent safety profile. The product could also reduce the social care burden that is associated with mid to late-stage disease.

Dopamine replacement
ProSavin is a gene-based dopamine replacement strategy Using the LentiVector system to deliver three genes required for the synthesis of dopamine, ProSavin creates a new source of dopamine production in the striatum of the brain By boosting continuous dopamine release, ProSavin aims to restore patients' motor function without the side-effect associated with oral dopamine therapies

Development progress
A Phase I/II trial in patients with mid-stage Parkinson's disease is advancing to a third cohort of patents The first two dose levels were safe and well tolerated in all patients and showed encouraging evidence of efficacy One year after treatment, patients at the lowest dose level demonstrated an average improvement in motor function of 28% and an average enhancement in quality of life of 42%

Market opportunity
Parkinson's disease affects approximately 4 1 million people worldwide and the prevalence is rising owing to demographic changes None of the current treatments provide long-term relief from symptoms, yet, by 2012, sales could exceed US$4 6 billion in the major developed countries (source Lead Discovery)

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PARKINSON'S DISEASE

Business Development
Ocular Gene Therapies

LentiVector®

Ocular Gene Therapies

In collaboration with sanofi-aventis, we are advancing four LentiVector-based product candidates into clinical trials for the treatment of ocular diseases: These gene-based approaches have unique potential to benefit patients and families affected by these debilitating ocular diseases.

Landmark collaboration
The collaboration, signed in April 2009, was a landmark for Oxford BioMedica and also for the field gene therapy The potential commercial value of this gene-therapy partnership is arguably unprecedented in both value and field of application Its broad scope is testament to the quality and utility of our LentiVector gene delivery system Furthermore, sanofi-aventis' investment in the LentiVector platform benefits our development programmes in other therapeutic areas

Development on track
The first two gene therapy candidates are expected to enter clinical development in 2010 Our lead programme, RetinoStat for wet age-related macular degeneration, is designed to block aberrant blood vessel growth by delivering two anti-anglogenic genes The second candidate, StarGen for Stargardt disease, delivers a corrected version of a defective gene associated with this inherited disease

Market opportunity

RetinoStat®. wet age-related macular degeneration
AMD affects an estimated 25 to 30 million people in the Western world and the wet form accounts for 90% of all severe vision loss from the disease

StarGen™: Stargardt disease
Stargardt disease is the most common juvenile degenerative retinal disease with a US and EU prevalence of approximately 50,000 patients

UshStat™. Usher syndrome 1B
Usher syndrome is the most common form of deaf-blindness and affects around 70,000 people in the USA and EU An estimated 8,000 have the 1B subtype

EncorStat® corneal graft rejection
Corneal graft rejection is a significant issue for many of the estimated 60,000 corneal transplant performed in the USA and EU each year

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OCULAR DISEASE

Business Development
TroVax®: Cancer

5T4 Tumour Antigen

TroVax®: Cancer

TroVax is a novel therapeutic cancer vaccine that has the potential to offer a safe and effective treatment option by stimulating a cancer-specific immune response. It has the potential to prevent metastatic spread, which has proved challenging with traditional cancer treatment.

Unique anti-cancer target
TroVax targets a tumour antigen called 5T4 The 5T4 tumour antigen is a unique protein, which is highly prevalent on both primary and also metastatic cancerous cells, but is only minimally evident on normal tissues The fact that 5T4 is found on most common types of solid cancer makes it a potentially valuable target for targeted anti-cancer interventions

Patient selection
The effectiveness of cancer vaccines depends on a patient's ability to mount the requisite immune response The recent Phase III TRIST study in renal cancer showed that patients' blood cell counts affected the magnitude of their 5T4-specific immune response and, hence, their TroVax-related survival Selecting patients on this basis may identify those more likely to benefit from treatment

Planning new trials
As previously reported, the TRIST study did not achieve its primary endpoint However, there is wide support from the oncology community for conducting further trials of TroVax A Phase II trial in prostate cancer is expected to start in 2010 In addition, the Company is working with clinical trial networks to explore opportunities in other cancer settings, including ovarian cancer and breast cancer

Market opportunity
The global cancer market is expected to generate sales in excess of US$60 billion by 2010 Therapeutic cancer vaccines have proved to be an elusive goal for the industry, although recent development successes have boosted confidence in the field Vaccine strategies that are specific to tumour-associated antigens, such as 5T4, are among the most promising approaches

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CANCER

Chairman's Statement

"2009 was a good year for Oxford BioMedica in what has been a difficult period for emerging biopharmaceutical companies globally. Notable achievements included our landmark collaboration in gene therapy with sanofi-aventis and new value-enhancing data for TroVax and ProSavin. I am pleased to report that we entered 2010 with a stronger cash[1] balance than last year and a number of exciting opportunities ahead of us."

1 Cash cash equivalents and short-term financial investments

Professor Alan Kingsman, Chairman

Gene therapy and immunotherapy have enormous potential to benefit the lives of patients. Oxford BioMedica continues to be one of the leading companies in this field and has established a valuable pipeline of development candidates addressing diseases that are untreatable or poorly treated today. Our strategy aims to realise the potential of our innovation through in-house and collaborative development. We have set challenging targets, and the management team, under the leadership of John Dawson as Chief Executive Officer, has been working tirelessly and effectively in pursuit of these goals.

Landmark collaboration
Our new collaboration with sanofi-aventis in ophthalmology was a landmark agreement for Oxford BioMedica and also for the field of gene therapy The potential commercial value of this gene therapy partnership is arguably unprecedented in both value and field of application Its broad scope is testament to the quality and utility of our LentiVector gene delivery system Besides being an endorsement of our technology, the commitment of sanofi-aventis to fund four preclinical programmes through Phase I/II trials is a good example of the implementation of our risk management strategy

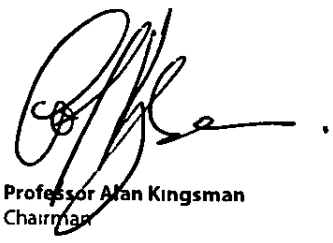
Building value
Our two lead programmes, TroVax and ProSavin, were strengthened during 2009 To put this into context, firstly, further analysis of the TRIST study of TroVax has shown clear clinical benefit in a substantial subset of patients Secondly, 12-month data from the Phase I/II study of ProSavin have confirmed the product's long-term clinical activity and, therefore, its substantial potential to benefit patients with Parkinson's disease Furthermore, both programmes have clear development paths following the outcome of regulatory reviews

This progress was in the context of sanofi-aventis' decision not to progress their therapeutic cancer vaccine programmes, which were cornerstoned by TroVax, following their portfolio review In addition, our successful proposal to introduce additional dose levels and a refined delivery procedure within the ProSavin clinical study required protracted discussions with the French regulatory agency, but is expected to accelerate clinical progress in the later phases of clinical development and thus accelerate time to market It would therefore be fair to say that these programmes are far stronger today than they were a year ago

Strategy commitment
In the 2008 Annual Report, we outlined a new strategy to achieve sustainable profitability having implemented decisive cost reduction measures during the second half of 2008 We remain committed to this strategy and we are pursuing several partnerships as well as evaluating other opportunities to build the Company

Board changes
Two new Non-Executive Directors, Paul Blake and Andrew Heath, were appointed to the Board at the start of 2010 Both Paul and Andrew are industry veterans with extensive experience in building successful biopharmaceutical companies internationally Mark Berninger retired from the Board having served as a Non-Executive Director for more than ten years I would like to record my sincere thanks to Mark for his dedicated service to the Company and to welcome Paul and Andrew to the Board

In conclusion
Our progress during 2009 was only made possible by the talent and hard work of our staff I would like to thank all of our employees, our partners and our shareholders for their support With a strong platform and robust strategy, we are well positioned to build on the achievements of 2009 and I believe that our management team has the experience and capability to deliver real value over the coming year



Professor Alan Kingsman
Chairman

Business Review
The Team

The Team

Taking us forward

The executive team at Oxford BioMedica understands the importance of sound management – the right people with the right skills in the right place. The team is highly motivated and comprises individuals with relevant expertise and experience, committed to the successful future of the Company.

JOHN DAWSON
Chief Executive Officer
John Dawson joined Oxford BioMedica's Board as Non-Executive Director in August 2008 and was appointed Chief Executive Officer on 13 October 2008 From 1996 to 2007 he held senior management positions in the European operations of Cephalon Inc, where he led the many deals that built the European business from having no sales in 1998 to a turnover of several hundred million US dollars

ANDREW WOOD
Chief Financial Officer
Andrew Wood has been a Director of Oxford BioMedica since 1996 He is a Chartered Accountant with wide industry experience He also holds a first class degree in biochemistry from Oxford University Before joining Oxford BioMedica he was finance director at the Yorkshire Cable Group (part of General Cable)

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

PETER NOLAN
Executive Director and Senior Vice President, Commercial Development
Peter Nolan was appointed to Oxford BioMedica's board in May 2002, having been a senior member of the Company since its foundation He is also a Director of the UK BioIndustry Association and is a past chairman of the Oxfordshire Bioscience Network Prior to joining Oxford BioMedica, he served as head of the Biotechnology Unit at the UK Department of Trade & Industry for eight years

NICK WOOLF
Chief Business Officer
Nick Woolf was appointed to the board of Oxford BioMedica in March 2005 and was appointed Chief Business Officer in July 2008 Nick joined Oxford BioMedica in 2002 from ABN AMRO, where he was a Director and Head of European Biotechnology Research

Directors
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THE TEAM

Left to right Peter Nolan, Andrew Wood, Nick Woolf, John Dawson, Stuart Naylor

Chief Executive's Statement

"We made significant progress during the year in both our development and our commercial activities. We enhanced the value of our lead programmes, secured a major collaboration, and made headway towards our key strategic objectives. Looking back over my first full year as Chief Executive Officer, I am pleased to reflect on our achievements and I look forward to building on these going forward."

John Dawson, Chief Executive Officer

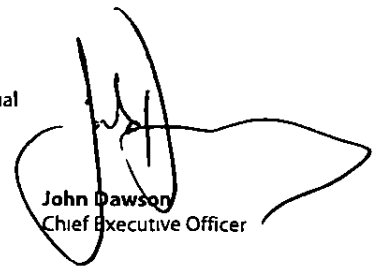
The new data and analyses in 2009 from the ProSavin and TroVax programmes have boosted our expectations. We now have regulatory guidance and support to initiate the next development steps for both programmes. Furthermore, our ground-breaking collaboration with sanofi-aventis in ophthalmology enables us to leverage our LentiVector technology and accelerate the development of our four product candidates addressing debilitating causes of vision loss.

Development progress
The Phase I/II study of ProSavin in Parkinson's disease continues to yield promising data We are excited by the potential for further enhancement in 2010 by incorporating the new administration procedure and escalating the dose For TroVax, we have gained valuable insights for optimising the design of further trials from our analyses of the Phase III TRIST study in renal cancer, and we are preparing to start new studies in 2010 In partnership with sanofi-aventis, we are on track with the development plans for our four ocular programmes and we are completing non-clinical activities to support applications for clinical trials

Partnering progress
Our ocular collaboration with sanofi-aventis, signed in April 2009, was an important value driver during the year The deal included an upfront receipt of US$26 million (£17 million) and committed funding over three years Separately, following a re-prioritisation and change of focus by sanofi-aventis, we regained worldwide rights to TroVax, and subsequently implemented a new initiative to partner the product Our other key partnering priority is ProSavin, and discussions are progressing with several key players in the field of Parkinson's disease Furthermore, we are exploring other opportunities to maximise the value of our pipeline and to leverage our extensive intellectual property portfolio through strategic deals

Financial management
We were cash generative in 2009, increasing cash, cash equivalents and short-term investments by £3 million, and ended the year with a balance of £25 million As a result of our decisive steps to focus resources and reduce underlying operating cash burn, we can support our operations through to the beginning of 2012 We recognise the importance of maintaining our financial flexibility and we are allocating resources to achieve key milestones within our current cash runway

Outlook
The next 12 months could be transformational for Oxford BioMedica We have clear targets for our in-house and collaborative development programmes By the end of 2010, we aim to reach the optimal dose of ProSavin for evaluation in randomised trials and to have a partnership in place for the next stage of development We are also targeting new Phase II trials of TroVax in prostate cancer and other metastatic cancers as part of a strategic process of adding value and attracting a partner Furthermore, with two of our ocular products, RetinoStat and StarGen, earmarked for clinical development in 2010, the pipeline will be significantly strengthened by the end of the year We are committed to doing the right transactions with the right partners for our lead programmes and to bringing these deals to fruition at the earliest opportunity We are also considering other corporate activity to add new growth drivers and to expand our capabilities The successful and timely execution of these goals will further enhance the value of our business and accelerate sustainable profitability



John Dawson
Chief Executive Officer

Operational Review
LentiVector®

Our LentiVector technology is a highly efficient system for the delivery of therapeutic genes to a wide range of tissues, and it has specific advantages for targeting diseases of the central nervous system and the eye. Our most advanced LentiVector product candidate is ProSavin for Parkinson's disease. In partnership with sanofi-aventis, we are applying our LentiVector technology to develop treatments for ocular diseases and we are working with leading scientific teams to address other unmet needs, such as in the treatment of motor neuron disease.

ProSavin®

Highlights

- First dose level in Phase I/II trial showed sustained efficacy at 12 months
- Enhanced administration has potential to accelerate development
- Regulatory approval to evaluate higher dose level
- Ground-breaking preclinical results published in journal

PROSAVIN®: Parkinson's disease

ProSavin is being evaluated in a Phase I/II trial in patients with mid-stage Parkinson's disease who are experiencing reduced benefit on L-DOPA 'equivalent' therapy The first stage of the study is an open-label dose escalation of ProSavin in cohorts of three patients Two dose levels have been evaluated to date The Principal Investigator is Professor Stéphane Palfi and the trial is being conducted at the Henri Mondor Hospital in Paris, which is a European centre of excellence for neurosurgery

Potential long-term efficacy
The first two dose levels were safe and well tolerated in all patients and showed encouraging evidence of efficacy One year after treatment, patients at the lowest dose level demonstrated an average improvement in motor function of 28% and a maximum of 44% The average increase in patients' quality of life was 42% based on a standard measure of benefit that is recorded by the patient In October 2009, we reported that patients at the second dose level had completed their six-month assessments of motor function and achieved an average improvement of 34% and a maximum of 53%

If these results are confirmed in placebo-controlled studies, ProSavin would represent a significant advancement to current treatment options, given its potential to enhance quality of life and to suppress the complications caused by oral L-DOPA therapy However, as the clinical programme goes forward it is conceivable that higher levels of efficacy may be achieved

Clear path forward
In the second half of 2009, we made a submission to the French regulatory agency (AFSSAPS) to amend the trial design to incorporate our improved administration procedure and to increase the dose level The new administration procedure reduces surgery time, which should increase the throughput of patients at clinical sites Furthermore, preclinical studies suggest that it provides a broader distribution of ProSavin throughout the striatum of the brain and potentially higher efficacy per dose relative to the current administration technique

In our constructive dialogue with AFSSAPS, we concluded that it was important to evaluate the relative efficacy of the new procedure prior to dose escalation In March 2010, AFSSAPS provided its verbal approval to continue the study The next cohort of patients will be treated using the new technique at the second dose level to inform our assumptions or possibly negate the need for a third dose level Patient treatment is expected to start in May 2010

Ground-breaking publication
Our ground-breaking preclinical results were published in the 14 October 2009 issue of Science Translational Medicine, a leading scientific journal The paper described several proof-of-concept studies in the industry-standard preclinical model of severe Parkinson's disease In this model, ProSavin significantly increased dopamine production without the addition and side-effects of standard L-DOPA therapy and suggested for the first time that ProSavin may ameliorate dyskinesia The publication has attracted substantial interest from the medical community and has bolstered our partnering discussions

Transforming patients' lives
Professor Stéphane Palfi stated that ProSavin showed profound and prolonged efficacy in preclinical models of late-stage Parkinson's disease. ProSavin potentially offers significant advantages to the current alternatives of Deep Brain Stimulation or mechanical delivery of continuous dopamine.

Accelerating development
The inclusion of the enhanced administration procedure in the Phase I/II trial has prolonged our advancement into randomised trials, but is expected to reduce the overall clinical development timeline for the programme To accelerate the completion of the current trial, we are planning to open a second clinical site in the UK and the regulatory process to achieve this is well underway In parallel, we are seeking guidance from the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA) regarding our development plan that aims to achieve registration in both territories

Manufacturing development has accelerated to optimise the production process of ProSavin for larger studies and for commercial supply We have designed stable producer cell lines as a basis for a readily scalable process These improvements could significantly reduce the costs per dose and the regulatory risk associated with manufacturing

Partnering progress
As we advance to larger trials, we are negotiating with prospective partners who could add value through their expertise in Parkinson's disease and could bring additional resources for the next stage of development Our collaboration strategy is to license out certain territorial rights to retain others in order that we may establish our own specialist sales force for commercialisation of ProSavin Our objective is to complete the Phase I/II study and advance into larger studies with a partner at the earliest opportunity

Next milestones
The patients in the first and second cohorts continue to be assessed and we aim to report 24-month and 12-month respective motor function scores in June 2010 Following regulatory clearance to incorporate the enhanced administration procedure, we are recruiting patients for the third cohort and anticipate first treatment in May 2010 Based on our revised timelines, we could start the third, and theoretically optimal, dose level in the fourth quarter of 2010

Market opportunity
Parkinson's disease affects approximately 4 1 million people worldwide and the prevalence is rising owing to demographic changes None of the current treatments provide long-term relief from symptoms, yet, by 2012, sales of these treatments could exceed US$4 6 billion in the major developed countries (source Lead Discovery) ProSavin has the potential to address an unmet medical need in Parkinson's disease, offering long-lasting benefit from a single administration with an excellent safety profile The product could also reduce the social care burden that is associated with the mid to late-stage of disease

Operational Review
LentiVector®

OCULAR GENE THERAPIES

In collaboration with sanofi-aventis, we are advancing four preclinical LentiVector-based product candidates into clinical trials for the treatment of ocular diseases RetinoStat for wet age-related macular degeneration, StarGen for Stargardt disease, UshStat for Usher syndrome 1B and EncorStat for corneal graft rejection This landmark collaboration is a significant milestone for the Company and an endorsement of our LentiVector technology Furthermore, sanofi-aventis' investment in the LentiVector platform benefits our development programmes in other therapeutic areas

Financial support
The collaboration, signed in April 2009, included an upfront receipt of US$26 million (£17 million) and up to a further US$24 million in development funding over three years This committed funding is based on a joint development plan that is designed to progress all four candidates into the clinic in 2010-11 If successful, Oxford BioMedica will receive further undisclosed license fees, milestone payments and royalties on product sales, the terms of which are consistent with other deals of this scope and size

Development on track
RetinoStat is the most advanced clinical candidate In 2009, we reached agreement with the FDA on the requirements for RetinoStat's Investigational New Drug (IND) application We are on track to complete the non-clinical package and submit the IND application for RetinoStat in the third quarter of 2010 We aim to conduct the Phase I/II trial at the Wilmer Eye Institute at Johns Hopkins in Baltimore, USA, in partnership with a renowned expert in ocular gene therapy Our second candidate, StarGen, is also expected to enter clinical development before the end of 2010 We are working with a prospective Principal Investigator based in Paris, who is a leading clinician in Stargardt disease, and we plan to submit a Clinical Trial Application for StarGen to AFSSAPS in the second half of 2010

Orphan drug designation
StarGen and UshStat received orphan designation from the Committee for Orphan Medicinal Products of the European Medicines Agency (EMA) for Stargardt disease and retinitis pigmentosa arising as a result of Usher syndrome 1B respectively Both of these hereditary disorders are caused by abnormalities in specific disease-related genes and can lead to vision loss from an early age The EMA grants orphan drug designation to products that may provide a significant advantage in the treatment of chronically debilitating conditions affecting up to five in 10,000 people in the European Union With orphan drug designation, StarGen and UshStat will benefit from development, regulatory and commercial advantages, including reduced regulatory fees and ten years of marketing exclusivity We are seeking a similar designation in the USA

Market opportunity
Our lead candidate, RetinoStat, is addressing a major cause of blindness Age-related macular degeneration (AMD) affects an estimated 25 to 30 million people in the Western world and the wet form accounts for 90% of all severe vision loss from the disease RetinoStat is designed to require less frequent injections into the eye than current therapies for wet AMD, a major marketing advantage for this disease Our three other product candidates are also addressing important unmet needs in ophthalmology There are currently no existing treatments for Stargardt disease, Usher syndrome and corneal graft rejection Our gene-based approaches have unique potential to benefit patients and families affected by these debilitating ocular diseases

Ocular Gene Therapies

Highlights

- Landmark partnership with sanofi-aventis in ophthalmology
- Received US$26 million upfront payment
- Committed funding for three years to develop four gene therapies
- RetinoStat and StarGen on track to enter clinical development in 2010

Leveraging in-house expertise
Given our expertise and know-how in developing gene therapies, we have primary responsibility for advancing the four ocular programmes through Phase I/II trials and the associated costs will be reimbursed by our partner Sanofi-aventis then has the option to assume responsibility for further development and commercialisation of these products We have established an experienced in-house team to drive the programmes forward Furthermore, there is considerable scope to expand the collaboration with the addition of other indications and related product candidates For example, RetinoStat could be evaluated as a treatment for diabetic macular oedema

Gene therapy advantages

The current leading treatment for wet age-related macular degeneration requires repeated injections directly into the eye. RetinoStat could require only a single or infrequent administration, and could also provide a safer and more efficient means of inhibiting angiogenesis.

MONUDIN®: motor neuron disease

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

Extended collaboration
In 2009, we successfully completed the first phase of our research collaboration with the US non-profit organisation, the ALS Therapy Development Institute (ALS TDI) The collaboration is funded by the US Muscular Dystrophy Association and provides access to the ALS TDI's extensive gene expression database and drug screening capabilities for motor neuron disease The first phase of the collaboration included the development of new techniques to evaluate and identify gene therapy candidates at the ALS TDI's US research facility in Cambridge, MA

We announced the extension of this collaboration with the ALS TDI in January 2010 In the second phase, the ALS TDI is conducting further preclinical efficacy studies of MoNuDin in established models of motor neuron disease Furthermore, the joint teams are exploring other LentiVector-based approaches to inhibit or regulate specific genetic pathways associated with disease onset or progression

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 USA, there are an estimated 30,000 patients with ALS and nearly 6,000 new cases are diagnosed annually (source ALS Association) Only one drug is approved for the treatment of ALS, and its only benefit is a modest increase in survival time If MoNuDin proves to be an effective neuroprotective treatment that can slow or arrest injury to patients' motor neurons, it would have compelling competitive advantages

Operational Review
5T4 Tumour Antigen

The 5T4 antigen is an ideal target for anti-cancer treatment given its restricted expression on normal tissues and its high prevalence on the surface of cancerous cells. Our 5T4-specific therapeutic vaccine candidate, TroVax, is in Phase II development and, in collaboration with Pfizer, our 5T4-targeted antibody therapy is expected to enter the clinic in 2011. Another therapeutic approach, using bi-specific antibodies, is also the subject of collaboration discussions.

TroVax®

Highlights

- Further analysis of Phase III TRIST study confirmed subset efficacy
- Received US$17 4 million regarding termination from sanofi-aventis
- Support from FDA for further trials in multiple cancers
- Phase II trial in prostate cancer expected to start in 2010

TROVAX®: cancer

The follow-up analysis of the Phase III TRIST study of TroVax in renal cancer has yielded valuable insights into the efficacy of TroVax and the selection of patients who are more likely to benefit from treatment We are working with clinical centres and networks to start new cost-effective Phase II trials and have implemented a new partnering initiative, having regained worldwide rights from sanofi-aventis With support from the FDA, we are targeting several cancer settings for further development, including prostate, ovarian, colorectal and breast cancer

Valuable insights from TRIST

Detailed results from the TRIST study were presented at the joint congress of the European Cancer Organisation and the European Society for Medical Oncology in September 2009 As previously reported, the TRIST study did not achieve its primary endpoint of an improvement in survival However, the results confirmed the findings from previous trials, demonstrating that the anti-5T4 immune response induced by TroVax is associated with enhanced survival Encouragingly, in one of the pre-defined patient subsets, TroVax showed statistically significant survival benefit comparable to market leading treatment for renal cancer

FDA guidance

In July 2009, we received final comments from the FDA, following its review of the TRIST data, in which the agency acknowledged all of the points raised by our analysis The competitive landscape for the treatment of renal cancer is considerably more crowded today than when the TRIST study was initiated Hence, we presented to the FDA several alternative settings for future clinical trials of TroVax These included ovarian cancer, hormone-refractory prostate cancer and triple-negative breast cancer, which have clear unmet needs and a lack of effective treatments The agency was supportive of pursuing trials in these proposed indications and provided a clear path for further development of TroVax

Planning new trials

In future trials, the ability to select patients who are more likely to mount stronger anti-5T4 immune responses and benefit from TroVax could increase the predictability of clinical outcome and the likelihood of successful development There is wide support from clinicians for conducting further trials in our targeted settings and we are exploring funding options through clinical networks Our aim is to initiate at least one new Phase II trial in 2010, the first of which will be in prostate cancer We expect that some of the proposed studies will be partially funded, reducing Oxford BioMedica's investment Through these studies, we are seeking to demonstrate proof-of-concept in our targeted cancer settings at the earliest opportunity

TRIST insights
Exploratory analyses of the TRIST data identified a relationship between patients' blood cell counts and TroVax-related survival benefit TroVax was less beneficial in patients with aberrant levels of certain blood cells at the start of the study Excluding these patients, there was a promising survival trend in favour of TroVax versus placebo and the indicative efficacy was consistent with the study's primary endpoint

Clinical opportunities

The FDA supported our proposal to pursue clinical development of TroVax in other metastatic cancers, notably colorectal, ovarian, hormone-refractory prostate and triple-negative breast cancer. The agency provided a clear path for further development in these settings.

Partnering initiative
The reprioritisation of sanofi-aventis' portfolio in April 2009 resulted in our regaining the worldwide rights to TroVax As part of this agreement, we received an immediate payment of US$16 5 million from sanofi-aventis, which included an amount for reimbursement of certain previously committed development costs Following the outcome of the FDA's review and our follow-up analysis of TRIST, we embarked on an initiative to re-partner TroVax Partnering TroVax for Phase III development remains a key strategic priority for Oxford BioMedica, and discussions are underway

Market opportunity
The global cancer market is expected to generate sales in excess of US$60 billion in 2010 The market for therapeutic cancer vaccines, although minimal at present, has the potential to mirror the growth seen in the monoclonal antibody market, and reach sales in excess of US$5 billion by 2012 (source Research and Markets) With the potential to benefit patients with some of the most common cancers, TroVax could capture a significant share of the market We believe that, unlike renal cancer, abnormal haematology is less evident in patients with most other types of solid tumours Hence, we believe the exclusion of such patients from future trials has only a modest impact on the market opportunity for TroVax

Cross-license agreement
In January 2010, we reached a settlement and cross-license agreement with Bavarian Nordic to resolve patent litigation by Bavarian Nordic in the USA and our opposition to Bavarian Nordic's European MVA-BN® patents Under the agreement, Bavarian Nordic granted Oxford BioMedica a license to its patents in return for being granted a license to our heterologous prime-boost patents and a sub-license to poxvirus patents that we licensed from sanofi-aventis All pending litigation has ceased and we are exploring possible collaboration opportunities with Bavarian Nordic to leverage both companies' expertise in poxvirus vaccines Oxford BioMedica and Bavarian Nordic are entitled to undisclosed milestone and royalty payments on commercialisation of the other's respective product

Operational Review
5T4 Tumour Antigen

TARGETED ANTIBODY THERAPY: cancer

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

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

Preclinical optimisation
Pfizer has responsibility for the development and commercialisation of the 5T4-targeted antibody therapy Their product candidate comprises a toxin linked to a humanised 5T4-specific antibody for targeted delivery of the anti-cancer agent payload to cancer cells Preclinical evaluation is ongoing to optimise the product for clinical development, and Pfizer may submit an IND application during 2011

From Wyeth to Pfizer
Wyeth licensed global rights to Oxford BioMedica's 5T4-specific antibodies in 2001. Following Pfizer's acquisition of Wyeth in 2009 and subsequent portfolio review, Pfizer has indicated its continuing commitment to the collaboration and to the development of the product.

Other Products

Preclinical development of our gene-based anti-angiogenic therapy for cancer, EndoAngio-GT, is ongoing. However, following our strategic realignment during the second half of 2008, we curtailed development expenditure on two clinical programmes, Hi-8 MEL and MetXia.

These programmes continue to have significant potential and we aim to realise the value of these assets through partnerships Furthermore, we continue to pursue technology licensing opportunities to leverage our broad intellectual property estate Our objective is to retain a financial interest in the successful development and commercialisation of any product candidate that derives from our technologies through milestone payments and royalties

HI-8® MEL: melanoma

The two completed clinical trials of Hi-8 MEL showed encouraging proof of concept in metastatic melanoma, demonstrating good safety and dose-dependent efficacy These results support further evaluation in randomised Phase II trials, and we aim to advance the programme with a suitable partner We are increasing our partnering activities on Hi-8 MEL in 2010 to realise the investment made in this programme to date

Market opportunity
More than 100,000 people are diagnosed with melanoma each year in the seven major pharmaceutical markets Existing therapies for Stage III/IV metastatic melanoma offer limited efficacy and often have serious side-effects Worldwide sales of treatments for melanoma are expected to exceed US$775 million in 2010 (source Datamonitor)

ENDOANGIO-GT: cancer

We have identified a potentially optimal gene delivery system for our anti-cancer EndoAngio-GT programme With further preclinical development, we believe that the product could be a potentially valuable clinical candidate

Market opportunity
There is substantial interest within the industry for novel anti-angiogenic approaches for the treatment of cancer The market leader in the field, Avastin® (Roche/Genentech) generated sales in excess of US$4 billion in 2008 EndoAngio-GT could have competitive advantages in terms of safety and potency

METXIA®: pancreatic cancer

We are finalising the clinical study report for the completed Phase I/II trial of MetXia in 35 patients with non-resectable pancreatic cancer In this trial, we identified the optimal dose of MetXia and the prodrug for evaluation randomised studies Median survival for evaluable patients, who received at least one dose of MetXia and three doses of cyclophosphamide, was 27 weeks Increased cycles of cyclophosphamide appeared to be associated with longer survival Our objective is to partner this product for further development

Market opportunity
Pancreatic cancer is the fifth leading cause of cancer-related mortality in the USA with over 30,000 deaths attributable to this disease annually It is one of the most aggressive forms of cancer with a five-year survival rate in the low single percentage digits The US pancreatic cancer drug market is expected to reach US$1 1 billion by 2013 (source EPiQ Market Intelligence)

Technology Overview
Proprietary Technologies

"Our proprietary technologies are based on scientific innovation. We have core in-house expertise in genetic engineering, immunology and manufacturing. We also work closely with leading academic groups in the field. Our development candidates have the potential to benefit patients in many therapeutic areas."

Dr Stuart Naylor, Chief Scientific Officer

LENTIVECTOR®

Our LentiVector technology is one of the most advanced gene delivery systems currently available, which has many applications in product development and in discovery research It is the system of choice for gene-based treatments addressing chronic and inherited diseases Oxford BioMedica has established a dominant intellectual property estate in the field of lentiviral-vector mediated gene delivery through its in-house research and from work conducted by the Company's co-founders at Oxford University

Rationale

Gene therapy is the treatment or prevention of disease by gene transfer and involves the genetic modification of human cells by the introduction of one or more genes The ability to deliver genes effectively has been a key challenge for the successful development of gene therapy Viral vectors are widely used for gene delivery since they have a natural ability to enter a cell and deliver genetic material both efficiently and in a defined manner While there is no universal delivery system that can be used to treat every disorder, our LentiVector system is the vector of choice for long-term therapy

Opportunity: gene therapy

The versatility of our LentiVector system to deliver genetic material safely and efficiently to various cell types makes it ideal for gene therapy or for gene silencing using RNA interference The technology could be used in many therapeutic areas, but it has specific advantages as a gene delivery system for the treatment of neurological and ophthalmic disorders In these settings, a single administration of a LentiVector-based gene therapy could achieve permanent therapeutic benefit

Opportunity: research tool

Gene delivery has become an important tool for biological research The efficiency of LentiVector-mediated gene transfer makes the technology the preferred system for stable, sustained transgene expression in drug discovery, target validation and biological manufacturing Our technology is being applied in many research laboratories, including those of GlaxoSmithKline, Merck & Co and Pfizer

5T4 TUMOUR ANTIGEN

The 5T4 tumour antigen is a unique protein found on most common types of cancer, which makes it a potentially valuable target for novel anti-cancer interventions The 5T4 antigen was discovered by scientists at Cancer Research UK (formerly Cancer Research Campaign), which was a founding shareholder of Oxford BioMedica in 1996 and which granted the Company exclusive rights to its intellectual property relating to the 5T4 antigen

Rationale
When cells mutate and become cancerous, they often produce and display different proteins, known as tumour-specific antigens, which in some circumstances can trigger an immune response Some tumour antigens are unique to tumours, while others may also be found on normal cells in certain organs, often at lower concentrations than on cancerous cells Immune responses to these antigens may be suppressed because they are considered "self"

Cancer was traditionally treated by a combination of surgery, radiation and/or chemotherapy However, preventing the metastatic spread of tumours has proved challenging and requires therapies that can be targeted to the disseminated cancerous cells The 5T4 antigen is an ideal target given its restricted expression in normal tissues and its high prevalence on the surface of both primary and metastatic cancerous cells

Opportunity: immunotherapy
Active immunotherapy, also called therapeutic vaccination, is designed to treat cancer by stimulating a patient's own immune system to eradicate disseminated cancerous cells and metastases in distant organs Vaccine strategies that are specific to tumour-associated antigens, such as 5T4, are among the most promising approaches for active immunotherapy

Opportunity antibody therapy
Monoclonal antibodies targeting tumour antigens are widely used for the treatment of cancer today Antibodies can function alone (naked) or as conjugates, linked to active moieties such as radioactive isotopes, chemotherapeutics or other toxins Preclinical studies suggest that 5T4 has ideal characteristics as a target for conjugated antibody therapy

ANTI-ANGIOGENESIS

The creation of new blood vessels, known as angiogenesis, is a critical element in tumour formation and growth A number of anti-angiogenic treatments have proven effective against solid tumours with the added benefit of having less toxicity than chemotherapy Oxford BioMedica secured exclusive rights to two anti-angiogenic agents, endostatin and angiostatin, for anti-cancer gene therapy from the Children's Hospital Boston in 2007 The Company also has rights to employ these genes for ocular gene therapy Endostatin and angiostatin are the genetic payload in both RetinoStat and EncorStat, which are designed to block aberrant blood vessel growth in the retina and cornea respectively

Opportunity
Manufacturing challenges have prevented further development of the two proteins as product candidates A gene-based approach could overcome the limitations of direct administration to exploit the full potential of these anti-angiogenic agents for the treatment of cancer and ocular diseases

HI-8® PRIMEBOOST

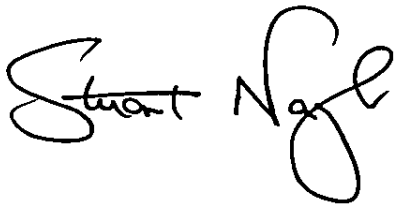
Heterologous prime-boost immunotherapy involves priming the immune system to a target antigen using one delivery system and then boosting the response by administration of the same antigen but using a different vector This strategy can stimulate greater levels of immunity, particularly cellular immune responses Oxford BioMedica's Hi-8 PrimeBoost technology is based on the use of DNA vaccines and recombinant poxvirus vectors

Opportunity
Hi-8 PrimeBoost is a flexible and powerful technology that could be applied to any disease that can be controlled by a disease-specific cellular immune response such as cancer or infection In clinical and preclinical studies, the technology stimulated potent and specific cellular immune responses targeting melanoma, hepatitis B, HIV/AIDS and tuberculosis

GDEPT

Gene-directed enzyme prodrug therapy (GDEPT) is based on delivering into diseased cells a gene encoding an enzyme that can activate a non-toxic prodrug into a toxic agent Oxford BioMedica has intellectual property covering genetic delivery of P450 enzymes and broader claims covering other retroviral-based prodrug strategies

Opportunity
GDEPT strategies could be used to treat any solid tumour that is accessible either directly or via local perfusion The technology could also benefit therapeutic strategies in other types of disease, including graft versus host disease



Dr Stuart Naylor
Chief Scientific Officer

Further detailed information on these technologies and associated development programmes can be found in the appendix on pages 82 and 83.

Financial Review

"We maintained our financial strength through 2009, making the transition from the TroVax collaboration with sanofi-aventis that had been a key feature of the financial results for the two previous years, to the new ocular collaboration in 2009. The cash inflows associated with the sanofi-aventis collaborations, together with continuing careful focus on expenditure, resulted in a stronger cash balance at the end of 2009 than at the beginning."

Andrew Wood, Chief Financial Officer

Our present funds, together with licence income and anticipated revenues from current collaborations, are sufficient to meet operational needs until the beginning of 2012. This gives the Group a strong platform from which to build a profitable, sustainable business.

Financial overview

The termination of the TroVax collaboration in April 2009 and the revised strategy for TroVax development following the FDA review of the TRIST study in June 2009 had a material effect on the Company, and resulted in a £6 0 million exceptional profit in the statement of comprehensive income In contrast, in 2008 we recognised an exceptional loss of £4 6 million from impairment of intangible assets Before exceptional items, revenue for 2009 was £9 0 million (2008 £18 4 million) and costs (cost of sales, research and development costs and administrative expenses) were significantly reduced at £20 9 million (2008 £27 6 million)

Cash, cash equivalents and current financial assets increased by £3 4 million in 2009, leaving a balance of £25 3 million at 31 December 2009

Revenue £19,120,000 (2008 £18,394,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
TroVax collaboration – non-exceptional revenue	2,609	18,064	6,970	–	–
Ocular collaboration revenue	6,224	–	–	–	–
Technology licences and other revenue	198	330	249	760	824
Total non-exceptional revenue	**9,031**	**18,394**	**7,219**	**760**	**824**
TroVax collaboration – exceptional revenue	10,089	–	–	–	–
Total revenue	**19,120**	**18,394**	**7,219**	**760**	**824**

Non-exceptional TroVax revenue of £2 6 million in 2009 comprised the recognition of deferred income up to the termination of the collaboration in April 2009 The remaining £5 7 million of deferred TroVax income was recognised in 2009 as exceptional revenue A termination payment of US$6 5 million (£4 4 million) paid by sanofi-aventis made up the remainder of exceptional revenue

The ocular collaboration with sanofi-aventis contributed revenue of £6 2 million in 2009 The collaboration has two elements an upfront payment of US$26 million (£16 6 million) was received in 2009, and R&D funding of up to US$24 million will be receivable over the current phase of the collaboration Revenue recognised in 2009 comprised £3 1 million of the upfront payment and £3 1 million of R&D funding Deferred income of £13 7 million is expected to be recognised between 2011 and 2013

Cost of sales £437,000 (2008: £1,295,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Royalty payable on third party licenses					
Non-exceptional (credit)/cost of sales	(90)	1,295	449	–	–
Exceptional cost of sales	527	–	–	–	–
Total cost of sales	**437**	**1,295**	**449**	**–**	**–**

Cost of sales is the royalty payable to third party licensors attributable to upfront and milestone payments that are recognised as revenue Where the recognition of upfront and/or milestone payments is deferred in part or in full, the appropriate proportion of cost of sales is also deferred and is classified as a prepayment In 2009 a credit of £545,000 was recognised within non-exceptional cost of sales following a reduction in the estimated royalty rate that had been applied to TroVax collaboration revenue in 2007 and 2008

Financial Review

Operating expenses before exceptional items £20,955,000 (2008 £26,322,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Non-exceptional research and development costs	14,899	22,482	22,142	19,523	9,327
Non-exceptional administrative expenses	6,056	3,840	4,282	2,699	2,865
Total non-exceptional operating expenses	**20,955**	**26,322**	**26,424**	**22,222**	**12,192**

Non-exceptional operating expenses were £5 4 million lower than 2008 at £21 0 million The reduction in R&D costs came mainly from lower external clinical costs, and in particular from lower TRIST expenditure Costs incurred in the sanofi-aventis ocular programme are included in R&D costs The increase in expenditure on these products has offset some of the reduction in TroVax expenditure Administrative expenses increased in 2009, principally due to foreign exchange losses, bonus payments and legal costs related to patent litigation

Research & development costs £14,899,000 (2008 £22,482,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
External preclinical & clinical costs	6,328	13,397	11,833	11,153	1,730
In-house R&D costs UK	8,138	8,660	9,848	7,983	7,310
In-house R&D costs USA	433	425	461	387	287
Total non-exceptional research & development costs	**14,899**	**22,482**	**22,142**	**19,523**	**9,327**

R&D costs comprise in-house expenditure (staff, R&D consumables, intellectual property, facilities and depreciation of R&D assets) and external costs (preclinical studies, GMP manufacturing, regulatory affairs, and clinical trials) External clinical and preclinical costs from 2006 to 2008 had been high due to TroVax development costs, particularly costs of the TRIST study As expected, these costs fell back significantly in 2009, with non-exceptional external TroVax development costs recognised in 2009 down to £0 7 million compared to £10 0 million in 2008 Costs related to the TRIST study from June 2009 onwards are part of exceptional R&D costs Offsetting some of the reduction, ocular product and ProSavin external costs were £2 7 million higher in 2009 at £5 2 million Most of the 2009 ocular programme spend was covered by R&D funding from sanofi-aventis In-house R&D costs in 2009 were 6% lower than in 2008 at £8 1 million

Administrative expenses £6,056,000 (2008: £3,840,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Administrative staff costs	2,815	2,016	1,958	1,123	1,224
Legal costs	1,411	867	852	353	119
Net foreign exchange losses/(gains)	465	(695)	3	2	(24)
Other administrative expenses	1,365	1,652	1,469	1,221	1,546
Total non-exceptional administrative expenses	**6,056**	**3,840**	**4,282**	**2,699**	**2,865**

Administrative expenses in 2009 were overall £2 2 million (58%) higher than 2008 Foreign exchange losses account for £1 2 million of the increase The exchange loss of £0 5 million in 2009 was mainly due to weakening of the US dollar over the course of the year In 2008 foreign exchange gains of £0 7 million were recognised Administrative staff costs were £0 8 million (40%) higher than 2008 at £2 8 million, due mostly to bonuses 2009 bonuses included £0 3 million costs in relation to a share-settled bonus paid to John Dawson, Chief Executive Officer There were no bonuses in 2008 Legal costs in 2009 were £0 5 million higher than 2008 at £1 4 million £1 0 million of the 2009 legal costs related to the Bavarian Nordic litigation and patent oppositions In January 2010 the Bavarian Nordic litigation was settled

Headcount

	2009 Number	2008 Number	2007 Number	2006 Number	2005 Number
R&D headcount (year end)	53	64	69	63	61
Administrative headcount (year end)	12	12	13	10	10
Total headcount at year end	**65**	**76**	**82**	**73**	**71**
R&D headcount (average for the year)	58	73	68	62	59
Administrative headcount (average for the year)	11	12	12	10	10
Total headcount(average for the year)	**69**	**85**	**80**	**72**	**69**

In 2009 there was a net reduction in headcount of 11, continuing a downward trend that started in July 2008 following the TRIST setback Subsequent to the year end this trend has begun to reverse, with a net gain of 4 in January and February 2010 One full-time employee and one part-time employee are based at the wholly owned subsidiary, BioMedica Inc, in San Diego, USA All other staff are based at the main offices and laboratories in Oxford, UK

Exceptional operating expenses £3,561,000 (2008: £4,561,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Research and development costs					
Arising on termination of the TroVax collaboration	676	–	–	–	–
Provision for TRIST study close-out	2,202	–	–	–	–
Write-off re planned Quasar clinical trial	514	–	–	–	–
Impairment of intangible assets	–	4,561	–	–	–
Total exceptional research and development costs	**3,392**	**4,561**	**–**	**–**	**–**
Administrative expenses:					
Arising on termination of the TroVax collaboration	169	–	–	–	–
Restructuring costs	–	–	335	–	–
Total exceptional administrative expenses	**169**	**–**	**335**	**–**	**–**
Total exceptional operating expenses	**3,561**	**4,561**	**335**	**–**	**–**

Exceptional items are described fully in note 5 to the financial statements On termination of the TroVax collaboration with sanofi-aventis, net unrecoverable costs of £0 8 million were written off This is net of receipts of US$10 9 million (£7 2 million) – reimbursements by sanofi-aventis as part of the termination process Following the FDA review of TRIST in June 2009 and the revision of the development strategy for TroVax, £2 2 million was provided to meet the costs of closing out the TRIST study, and £0 5 million of expenses related to the planned Quasar TroVax clinical trial were written off Between June 2009 and the end of the year, costs of £1 4 million were incurred and set against the TRIST provision

Finance income £636,000 (2008 £1,638,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Interest receivable – bank	642	1,661	2,113	1,743	955
Other interest receivable	27	1	4	–	14
Interest payable – discount on provisions	(10)	(19)	(30)	(29)	(20)
Other interest payable	(23)	(5)	–	–	(11)
Net finance income	**636**	**1,638**	**2,087**	**1,714**	**938**
Average balance on deposit in the year	24,549	28,941	37,731	37,689	19,955
Average rate of interest on deposits	2 61%	5 73%	5 58%	4 62%	4 77%

The Group places its cash in bank deposits for periods of up to 12 months and generates interest on those deposits The maturity profile of deposits is intended to match planned expenditure As expected, the dramatic fall in market rates from the end of 2008 has resulted in much lower interest income in 2009 The Group has no debt, but is recognising as a finance expense the discount on a lease provision and a dilapidation provision The lower charge in 2009 reflects the level of interest rates in the year

Financial Review

Tax credit £1,579,000 (2008 £1,992,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
UK R&D tax credit – current year	1,650	2,119	2,526	1,709	1,175
UK R&D tax credit – prior year adjustment	–	(72)	–	75	101
Overseas tax payable – current year	(61)	(59)	(60)	(38)	(43)
Overseas tax payable – prior year adjustment	(10)	4	(14)	16	(23)
Net tax credit	**1,579**	**1,992**	**2,452**	**1,762**	**1,210**
Debtor for R&D tax credit	2,269	2,119	2,623	2,309	1,175

Our UK operating subsidiary is entitled to claim R&D tax credit The credit is based on certain eligible expenses, to which a mark-up of 75% and a tax rate of 14% are applied, restricted where appropriate to the lower of UK payroll tax (Income Tax and National Insurance) paid in the year and Corporation Tax losses for the year The lower tax credit in 2009 results from restriction due to the amount of tax losses In 2009 the Group received a £1 5 million payment on account of the 2008 R&D tax credit The remaining £0 6 million of the 2008 claim was paid in January 2010 The Group's US subsidiary supplies services to the UK subsidiary subject to a fixed mark-up Interest is charged by the subsidiary at statutory rates for an inter-company loan This generates a low level of taxable income in the USA

Loss for the financial year including exceptional items £3,515,000 (2008 £10,041,000)
As a result of recognising an exceptional profit of £6 0 million in 2009 (2008 exceptional loss of £4 6 million), the Group's net loss for the year was 65% lower than 2008 At the pre-exceptional level however, despite lower operating costs in 2009 the net loss was 74% higher Principally this is due to the higher level of recognised revenue in 2008, which included a total of £18 1 million under the TroVax collaboration

Intangible assets £11,119,000 (2008· £11,119,000)
Intangible assets were unchanged at 31 December 2009 The Group continues to monitor the carrying value of intangibles No additional impairment was required following the impairment review for 2009

Trade and other receivables £4,628,000 (2008: £7,305,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Trade receivables	88	106	91	241	119
Accrued income	1,925	–	34	223	93
Other costs recoverable from sanofi-aventis	–	3,913	109	–	–
Other receivables	298	481	1,020	765	676
Prepaid clinical trial expenses	70	790	969	–	–
Prepaid royalty on deferred income	1,465	870	1,330	11	–
Prepayments	487	652	587	592	442
Other tax receivable (VAT and US income tax)	150	333	414	220	242
Rent deposit on US lease	145	160	118	150	205
Total trade and other receivables	**4,628**	**7,305**	**4,672**	**2,202**	**1,777**

Trade and other receivables reduced by £2 7 million in 2009 to £4 6 million £1 9 accrued income at 31 December 2009 was R&D funding recoverable from sanofi-aventis £3 9 million of recoverable costs related to the development of TroVax that was included in receivables in 2008 was settled as part of the US$10 9 (£7.2 million) reimbursement of costs by sanofi-aventis in 2009

Trade and other payables £7,669,000 (2008. £10,558,000)

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Trade payables	1,965	3,298	2,948	1,579	397
Accruals – clinical & preclinical costs	1,924	3,924	3,536	1,782	721
Accruals – royalties on sales	1,788	2,259	1,483	68	68
Accruals – staff costs	639	94	210	74	68
Accruals – other	1,049	847	962	853	558
Other taxation and social security	304	136	418	315	263
Total trade and other payables	**7,669**	**10,558**	**9,557**	**4,671**	**2,075**

Trade and other payables reduced by £2 9 million in 2009 Most of the reduction is attributable to lower trade creditors and accruals for external clinical and preclinical costs Staff cost accruals at December 2009 included £396,000 for bonuses

Deferred income £13,765,000 (2008 £8,443,000)

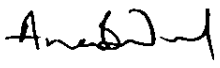
	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Ocular deferred income (current)	4,665	–	–	–	–
Ocular deferred income (non-current)	9,024	–	–	–	–
Other deferred income (current)	76	119	90	92	105
TroVax deferred income	–	8,324	18,823	–	–
Total deferred income	**13,765**	**8,443**	**18,913**	**92**	**105**

Deferred revenue reflects payments received under licensing agreements that exceed the amount of recognised revenue Receipts in 2009 from the ocular collaboration with sanofi-aventis are being recognised as revenue over a period of 42 to 51 months £2 6 million of deferred TroVax income was recognised as non-exceptional revenue prior to the termination of the collaboration in 2009 The remaining £5 7 million deferred TroVax income has been recognised as exceptional revenue

Share issues
At the end of 2009, the Company had 541,185,828 shares in issue During the year, shares issued for cash raised £0 4 million

Cash and deposits £25,302,000 (2008: £21,891,000).
Operational cash generated £3,026,000 (2008 cash burn £16,889,000)
The total of cash, cash equivalents and current asset investments at the end of 2009 was £25 3 million, an increase of £3 4 million over the year
The format of the cash flow statement under IFRS does not readily confer an assessment of cash burn However, based on the aggregate of cash from operating activities, proceeds of sale of property, plant and equipment and purchases of property, plant and equipment and intangible assets, the cash inflow in 2009 was £3 0 million, in contrast to a cash burn of £16 9 million in 2008

Financial outlook
The new collaboration with sanofi-aventis has strengthened the balance sheet through the upfront payment, and is providing R&D funding to take our four ocular products into their first clinical trials Taking account of licensing income and anticipated receipts from existing collaborations, the present level of funds is sufficient to meet operational needs up to the beginning of 2012 This gives the Group a strong platform from which to build a sustainable, profitable business We aim to develop our pipeline through a combination of focussed investment in certain programmes, and further partnerships and collaborations Sustainable profitability depends on the ability of Oxford BioMedica and our collaborators to develop and bring to market safe and effective medicines that benefit patients and achieve commercial success We also continue to explore opportunities to accelerate profitability through value-enhancing corporate activity



Andrew Wood
Chief Financial Officer

Board of Directors

ALAN KINGSMAN
Chairman
Professor Alan Kingsman, age 59, is a co-founder of Oxford BioMedica and served as Chief Executive Officer from 1996 to 2008 He was appointed Chairman in July 2008 He is an internationally recognised authority on gene expression and retrovirus research and has over 25 years' experience in this field, including 17 years as co-director (with Susan Kingsman) of the Retrovirus Molecular Biology Group within the Biochemistry department of the University of Oxford He continues to hold the title of Professor of Biochemistry at Oxford University and is a former fellow of St Catherine's College, Oxford He has published extensively in the field and is named inventor on numerous patent applications and issued patents He has acted as an advisor or consultant to UK research councils, World Health Organization (WHO) and a number of UK and international companies

JOHN DAWSON
Chief Executive Officer
John Dawson, age 50, joined Oxford BioMedica's Board as Non-Executive Director on 1 August 2008 He was then appointed Chief Executive Officer on 13 October 2008, having served as Acting Chief Executive Officer since 29 August 2008 From 1996 to 2007 he 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 the many deals that built the European business to over 1,000 people, taking the business from having no sales in 1998 to a turnover of several hundred million US dollars In 2005 he led the US$360 million acquisition of Zeneus by Cephalon

ANDREW WOOD
Chief Financial Officer
Andrew Wood, age 51, has been a Director of Oxford BioMedica since 1996 He is a Chartered Accountant with wide experience of financial management in a number of industries He also holds a first class degree in biochemistry from Oxford University Before joining Oxford BioMedica he was finance director at the Yorkshire Cable Group (part of General Cable) Previously, he held senior financial positions with subsidiaries of the Burton Group, Associated Newspapers, and Fenner plc

STUART NAYLOR
Chief Scientific Officer
Dr Stuart Naylor, age 46, 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 His career has covered many aspects of tumour biology from its molecular basis to the clinic He has published numerous primary and review articles notably in the field of cytokine research and brings with him an extensive network of collaborators in many aspects of basic research and clinical oncology

PETER NOLAN
Executive Director and Senior Vice President, Commercial Development
Peter Nolan, age 56, 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. He has broad experience and knowledge of the biotechnology sector Prior to joining Oxford BioMedica, he served as head of the Biotechnology Unit at the UK Department of Trade & Industry for eight years In that role he was responsible for establishing and managing complex collaborative research programmes involving industry, research councils and other government departments Previously he held senior positions in the Laboratory of the Government Chemist and also the Metropolitan Police Laboratory in London where he was a senior forensic scientist

NICK WOOLF
Chief Business Officer
Nick Woolf, age 41, was appointed to the board of Oxford BioMedica in March 2005 and was appointed Chief Business Officer in July 2008 He has extensive experience in investment banking and equity research in the biotechnology and pharmaceutical sectors Nick joined Oxford BioMedica in 2002 from ABN AMRO, where he was a Director and Head of European Biotechnology Research Prior to ABN AMRO, he was a Vice President and Senior European Biotechnology Analyst at Robertson Stephens, and was previously at Nomura and SBC Warburg Nick is a qualified FCCA accountant and holds an MA in Chemistry from the University of Oxford

NICK RODGERS
Deputy Chairman and Senior Independent Director
Nick Rodgers, age 51, was appointed to Oxford BioMedica's board in March 2004 He is a former investment banker with considerable experience in the life sciences sector He is now chief executive of Ipso Ventures plc, an intellectual property commercialization business, having been head of life sciences and joint head of corporate finance at Evolution Beeson Gregory until December 2003 Nick joined Beeson Gregory in 1989 from accountants Ernst & Young, having also worked in the listing department of the London Stock Exchange He is Chairman of Oxford BioMedica's audit committee

PAUL BLAKE
Non-Executive Director
Paul Blake, aged 62, was appointed to Oxford BioMedica's board in January 2010 Dr Blake has over 30 years international pharmaceutical/biotech experience, and is currently Senior Vice President and Chief Medical Officer of Æterna Zentaris Inc , a global biopharmaceutical company focused on oncology and endrocrine therapy From 2001 to 2006, he held senior management positions at Cephalon Inc, including Executive Vice President, Worldwide Medical & Regulatory Operations from 2005 Dr Blake's previous positions include Senior Vice President and Medical Director, Clinical Research and Development at SmithKline Beecham Pharmaceuticals He gained his medical degree from the London University, Royal Free Hospital

ANDREW HEATH
Non-Executive Director
Andrew Heath, aged 60, was appointed to Oxford BioMedica's board in January 2010 Dr Heath is a healthcare and biopharmaceutical executive with in-depth knowledge of US and UK capital markets and international experience in marketing and sales, R & D and business development He was Chief Executive Officer of Protherics plc from 1997 to 2008, taking the company from 30 to 350 staff and managing its eventual acquisition by BTG for £220 million Prior to this, Dr Heath was President and Chief Executive Officer of Aerogen Inc, and previously held senior positions at Astra AB and Astra USA, including Vice President Marketing & Sales, and at Glaxo Sweden as Associate Medical Director He is currently a non-executive director of XL TechGroup Inc, Anew Inc, Pioneer Technology Inc, and is a director of the BioIndustry Association

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

Alan Kingsman	John Dawson	Andrew Wood	Stuart Naylor	Peter Nolan
Nick Woolf	Nick Rodgers	Paul Blake	Andrew Heath	Alex Lewis

Principal Risks and Uncertainties

Risk assessment and evaluation is an integral part of our planning Most of our risks and uncertainties are common to all development-stage biopharmaceutical companies Where possible, our strategy is designed to manage and mitigate these issues

Intellectual property and patent protection risk
Our commercial success depends, amongst other things, on maintaining proprietary rights to our products and technologies and the Board gives high priority to the strategic management of our intellectual property portfolio There can be no assurance that our products and technologies are adequately protected by intellectual property If proceedings are initiated against our patents, the defence of such rights could involve substantial costs and an uncertain outcome

Third-party patents may emerge containing claims that impact our freedom to operate There can be no assurance that we will be able to obtain licences to these patents at reasonable cost, if at all, or be able to develop or obtain alternative technology

Development and regulatory risk
Safety or efficacy issues may arise at any stage of the drug development process Adverse or inconclusive results from preclinical testing or clinical trials may substantially delay, or halt, the development of our product candidates, consequently affecting our timelines for profitability

The clinical development and marketing approval of our product candidates are regulated by healthcare regulatory agencies, such as the FDA, EMA, AFSSAPS and MHRA, in respective territories During the development stage, regulatory reviews of clinical trial applications or amendments can prolong our anticipated development timelines Similarly, there can be no assurance of gaining the necessary marketing approvals to commercialise our products Each regulatory authority may impose its own restrictions on the product's use or may require additional data before granting approval

Collaboration and third party risk
Collaborations and licensing are an important component of our strategy to realise value and manage risk There can be no assurance that our 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

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

There is pressure in all territories to contain healthcare costs by limiting both coverage and the level of reimbursement Our LentiVector-based 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

Competition risk
Our competitors and potential competitors include major pharmaceutical and biotechnology companies, many of whom have substantially greater resources than us Through our collaborative strategy, we aim to work with leading companies in respective therapeutic areas However, there can be no assurance that competitors will not succeed in developing products and technologies that are more effective or economic than ours

Financial risk
We recorded a net cash inflow from operations in 2009 as a result of our business development activities Under the terms of our collaborations, the receipt of further income is dependent on the achievement of specific milestones related to development, regulatory or commercial progress Similarly, the timing and magnitude of income from new collaborations is inherently unpredictable

Our strategy is to add value to our priority in-house programmes by investing in further development We aim to offset our operating costs through partnering and other licensing income Based on our current budget, we have sufficient working capital to support our operating activities until the beginning of 2012 in the absence of income from new collaborations

We may require additional financing for the future operation of our business, including further equity funding as appropriate There is no certainty that adequate resources will be available on a timely basis, particularly if the difficult conditions of financial markets persist

Staff risk
While we have employment contracts with all of our personnel, the retention of their services cannot be guaranteed Recruiting and retaining key management and scientific personnel is critical to our success

Gene therapy risk
No gene-based medicines are currently approved for sale in the USA or EU The commercial success of our products will depend, in part, on acceptance by the medical community and the public Furthermore, specific regulatory requirements, over and above those imposed on other products, apply to gene therapy and there can be no assurance that additional requirements will not be imposed in the future This may increase the cost and time required for successful development of our products

Corporate Governance Statement

APPLICATION OF THE PRINCIPLES IN THE FRC COMBINED CODE ON CORPORATE GOVERNANCE

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

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

COMPLIANCE WITH THE PROVISIONS OF THE COMBINED CODE

The Board

Oxford BioMedica is led and controlled by a Board currently consisting of a Chairman, four Non-Executive Directors and five Executive Directors Throughout 2009 there were three Non-Executive Directors As set out in their biographies on pages 34 and 35, the Directors have significant experience of the management and development of a biopharmaceutical group and of pharmaceutical research and the new drug development process There is a clear division of responsibilities, set out in writing, between the Chairman and Chief Executive Officer The Board considers that the Non-Executive Directors (other than the Chairman) are independent of management This includes Mark Berninger, who has now retired from the Board, having served as a Director for 10 years All Directors have access to advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with The appointment and removal of the Company Secretary is a matter for the Board as a whole to consider Provision A2 2 of the Combined Code requires that the Chairman should meet the independence criteria on appointment The present Chairman was until July 2008 the Chief Executive Officer, and for the first year of his tenure as Chairman held an executive position Hence he did not meet this requirement The Chairman also holds share options and Long Term Incentive Plan Awards that were granted when he was CEO and while he was Executive Chairman, which is contrary to the requirements for independence set out in provision A 3 1 Since July 2009 the position of Chairman has been non-executive The Chairman has no significant external commercial commitments that would impact the performance of his duties Provision A 3 2 of the Combined Code requires a small company to have at least two independent Non-Executive Directors The Company has fully met this requirement

Board meetings

The Board meets regularly and at least eight times per year, with meeting dates agreed for each year in advance There is a formal schedule of matters reserved to the Board for its decision The schedule covers senior appointments, business strategy and budgets, substantial transactions, contracts and commitments, financing treasury and risk policies, and the approval of certain documents and announcements including the Annual Report There is frequent contact between Executive and Non-Executive Directors, and each Director is supplied on a timely basis with financial and operational information sufficient for the Board to discharge its duties All Directors have access, as required, to independent professional advice During 2009 there were 10 Board meetings The attendance of individual Directors at Board meetings was as follows

Director	Number attended	Number of meetings
Professor Alan Kingsman	10	10
Mark Berninger	9	10
Dr Alex Lewis	10	10
Nick Rodgers	10	10
John Dawson	10	10
Dr Stuart Naylor	9	10
Peter Nolan	10	10
Andrew Wood	9	10
Nick Woolf	9	10

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

Board committees

As appropriate, the Board has delegated certain responsibilities to Board committees, which operate within defined terms of reference and constitution There is a Remuneration Committee, the report and membership of which is set out on pages 44 to 49 The Remuneration Committee met nine times in 2009 All meetings were attended by both members

Audit Committee

There is also an Audit Committee Throughout 2009 the Audit Committee comprised two Non-Executive Directors Nick Rodgers (chairman) and Dr Alex Lewis On 1 January 2010 Dr Andrew Heath joined the Committee The Board consider that all the members of the Audit Committee possess recent and relevant financial experience The Audit Committee has written terms of reference which have been published on the Company's web site It monitors the integrity of the financial statements of Oxford BioMedica and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them It reviews internal financial controls and the internal control and risk management systems It makes recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors

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

Oxford BioMedica has a public interest disclosure policy, and the Audit Committee is responsible for reviewing arrangements by which staff may raise concerns about possible improprieties It also reviews from time to time the need for an internal audit function Given the Group's current size and simple structure, the Committee considers there not to be a requirement for internal audit At the Committee's invitation or request, the Chief Executive Officer and other Directors may attend meetings of the Audit Committee The Audit Committee met twice in 2009 with the Chief Financial Officer present, at the Committee's invitation, and also in private All meetings were attended by the full Committee

Corporate Governance Statement

Nomination Committee
The Nomination Committee comprises the Non-Executive Directors and the Company Chairman Nick Rodgers (Senior Independent Director) is the Committee chairman The Nomination Committee met once in 2009, to consider the appointments of Dr Paul Blake and Dr Andrew Heath as Non-Executive Directors All members of the Committee attended the meeting

The Nomination Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, determines the role and capabilities required for particular appointments

For the appointments of Dr Paul Blake and Dr Andrew Heath (effective from 1 January 2010) the Committee used its own network of contacts and consulted with the Company's Financial Advisors prior to making the appointments Consequently, external search consultancy and open advertising were not required

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

Review of performance
Provision A 6 of the Combined Code requires an annual review of the performance of the Board, the committees and the individual Directors The Chairman, Senior Independent Director and the Chief Executive Officer have kept this matter under review throughout 2009 and some procedural and other changes have been introduced as a result of these reviews The Chairman and the Senior Independent Director have also conducted an informal review of the performance of the committees and the individual Directors At least once per year the Non-Executive Directors meet under the leadership of the Senior Independent Director to appraise the Chairman's performance

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

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

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

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

Internal control
The Directors are responsible for Oxford BioMedica's system of internal control and for reviewing its effectiveness Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss As described above, the active involvement of the Executive Directors in our management committees allows the Board continually to monitor and assess significant business, operational, financial, compliance and other risks, and to review the effectiveness of internal control This is reinforced by the provision to the Board by the Executive Directors of regular and detailed reports covering, inter alia, financing, investor relations, research and development, clinical development, financial performance, commercial interactions and intellectual property management In addition the Board annually reviews the effectiveness of all significant aspects of internal control, including financial, operational and compliance controls and risk management The review for 2009 did not highlight any matters that require reporting to shareholders

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

Corporate Social Responsibility

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

Employees
Attracting, motivating and retaining a highly skilled workforce are critical to our business success Our employment policies are based on guidelines for best practice They recognise the rights of all employees and ensure equal opportunities for all staff without discrimination

We aim to develop and maintain a motivated and professional workforce through career development, performance evaluation and feedback, training and promotion Training is given in a wide variety of ways including on-the-job coaching and in-house or external courses Our staff appraisal process continues to function well, by providing a formal process for setting objectives and reviewing performance

In 2009, we undertook a review of the working space in our offices on The Oxford Science Park Following a consultation process with staff, we implemented various recommendations, including the creation of a new break-out and coffee area and other refurbishments

Health and Safety
Oxford BioMedica is committed to protecting the health, safety and welfare of all its employees 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

We recently upgraded our Containment Level 3 facility, which has specially engineered design features for the production of our LentiVector-based products These enhancements support the increased development activities, particularly in relation to our ocular programmes This high-category laboratory successfully passed an HSE Specified Animal Pathogen Order (SAPO) inspection in September 2009

Furthermore, the Environmental Agency conducted a routine inspection of all our laboratory activities, including our Radiation Management System, in February 2009 Encouragingly, there were no critical or major findings from the agency's inspection and our systems were deemed to be robust

Our Quality Management System ensures good practice for all of our staff, particularly those working in our research, development and manufacturing team, who receive suitable training and adhere to our guidelines for good practice In January 2010, the UK Medicines and Healthcare products Regulatory Agency (MHRA) completed a successful GMP audit Again, no major or critical observations were noted

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

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

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

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

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

As part of our commitment to the environment, our policies are designed to motivate our staff to be energy conscious and environmentally friendly The Company's recycling program continues to function effectively and the majority of our cardboard and office paper is recycled Again, given its importance to Oxford BioMedica, environmental issues are represented at Board level

Directors' Report

for the year ended 31 December 2009

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009

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

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

ProSavin®, Oxford BioMedica's novel gene-based therapeutic for the treatment of Parkinson's disease is in a Phase I/II clinical trial at the Henri Mondor Hospital in Paris, France ProSavin utilises Oxford BioMedica's proprietary LentiVector system to deliver three genes which reprogramme cells in the striatum in the brain to manufacture and secrete dopamine, thereby replacing the dopamine synthesising cells lost during the course of Parkinson's disease

In collaboration with sanofi-aventis, Oxford BioMedica is developing four novel LentiVector-based product candidates in the field of ophthalmology RetinoStat® for wet age-related macular degeneration, StarGen™ for Stargardt disease, UshStat™ for Usher syndrome 1B and EncorStat™ for corneal graft rejection In 2009 Oxford BioMedica granted sanofi-aventis a license to develop the products, and an option for further development, manufacture and commercialisation on a worldwide basis

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

The Company is underpinned by over 60 patent families, which represent one of the broadest patent estates in the field Oxford BioMedica's partners include sanofi-aventis, Sigma-Aldrich and Pfizer Technology licensees include Biogen Idec, GlaxoSmithKline, Merck & Co and Pfizer

At 31 December 2009 the Group had a staff of 65 All full-time employees but one are based at the main operational site in Oxford The Group has a wholly owned subsidiary, BioMedica Inc, in San Diego, California

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

Further information is available at www oxfordbiomedica co uk

Review of the business and future developments
The consolidated statement of comprehensive income for the year is set out on page 51 A review of the Group's activities and future developments is contained within the Highlights, the Company Overview, the Chief Executive's Viewpoint, the Chairman's Statement and the Business Review on pages 1 to 5 and 12 to 33

Share capital
During 2009 the Company issued a total of 3,896,067 new ordinary shares 187,025 on the exercise of share options by employees, 2,209,042 in a cash subscription linked to funding the development of StarGen for the treatment of Stargardt disease, and 1,500,000 in a share-settled bonus payment to the Chief Executive Officer John Dawson Subsequent to the year end, a further 173,330 shares were issued on the exercise of share options by employees, and on 21 January 2010 1,699,876 shares were issued in connection with the purchase of intellectual property rights

Dividends
The Directors do not recommend payment of a dividend (2008 nil)

Group research and development activities
During the year the Group incurred non-exceptional research and development expenditure of £14,899,000 (2008 £22,482,000), and exceptional research and development expenditure of £3,392,000 (2008 £4,561,000) all of which was written off in the statement of comprehensive income

Charitable donations
The Group made no charitable donations in 2009 (2008 nil)

Directors
The Directors of the Company at the date of signing the financial statements who had been Directors for the whole of 2009 unless otherwise indicated were

Professor Alan Kingsman	Chairman
Mark Berninger[1]	Non-Executive Director, member of the Nomination Committee
Dr Paul Blake[1]	Non-Executive Director, member of the Remuneration Committee and the Nomination Committee
Dr Andrew Heath[1]	Non-Executive Director, member of the Audit Committee and the Nomination Committee
Dr Alex Lewis	Non-Executive Director, Chairman of the Remuneration Committee, member of the Audit and Nomination Committees
Nick Rodgers	Deputy Chairman and Senior Independent Director, Chairman of the Nomination and Audit Committees, member of the Remuneration Committee
John Dawson	Chief Executive Officer
Dr Stuart Naylor	Chief Scientific Officer
Peter Nolan	Senior Vice President Commercial Development
Andrew Wood	Chief Financial Officer
Nick Woolf	Chief Business Officer

1 On 1 January 2010 Mark Berninger retired from the Board and Dr Paul Blake and Dr Andrew Heath were appointed

All Directors are subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of not more than three years At the 2010 Annual General Meeting the following Directors will retire from the Board

Directors appointed subsequent to the 2009 Annual General Meeting, who will retire in accordance with article 99 of the Company's articles of association and offer themselves for re-election
- Dr Paul Blake
- Dr Andrew Heath

Other Directors retiring in accordance with article 93 of the Company's articles of association, all of whom will offer themselves for re-election
- Dr Alex Lewis
- Peter Nolan
- Nick Rodgers
- Andrew Wood

The appointments of Non-Executive Directors are subject to three months' notice The contracts of employment of Executive Directors are subject to twelve months' notice

Biographical details of all the Directors, including those submitted for re-election, are given on pages 34 and 35

The interests of the Directors at 31 December 2009 in the share capital of the Company are disclosed in the Directors' Remuneration Report on pages 44 to 49

Directors' third party indemnity provision
The Company maintains insurance to provide cover for legal action against its Directors

Employees
The Group communicates and consults regularly with employees throughout the year Employees' involvement in the Group's performance is encouraged, with all employees eligible to participate in the Share Incentive Plan and either the Share Option Scheme or the Long Term Incentive Plan Certain employees participate in discretionary bonus schemes

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

Further details on employees, health and safety, environmental matters and corporate social responsibility are in the Corporate Social Responsibility Statement on page 39

Directors' Report

for the year ended 31 December 2009

Substantial shareholdings
At 23 February 2010, the latest practical date prior to approval of the Directors' report, the Company had been notified of the following shareholdings amounting to 3% or more of the ordinary share capital of the Company

Shareholder	Number of ordinary shares	Percentage of issued share capital
M&G Investment Management Limited	67,620,223	12 45%
Cubana Investments Limited	48,765,201	8 98%
Barclays plc	31,055,905	5 72%
TD Waterhouse	29,496,135	5 43%
GAM London Limited	29,339,574	5 40%
Legal & General Group plc	26,512,625	4 88%
Lloyds TSB Share Dealing	18,776,806	3 46%
Halifax Share Dealing Limited	17,700,965	3 26%
Sputnik Group	17,155,576	3 16%

No other person has reported an interest in the ordinary shares of the Company required to be notified to the Company

No person holds shares carrying special rights with regard to control of the Company

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

Agreements that take effect, alter or terminate because of a takeover bid or on change of control
There are no such agreements that the Directors consider are material There are no agreements providing for compensation for loss of office for Directors or employees in the event of a takeover bid

Creditor payment policy
The Company and its subsidiaries agree the terms of payment when agreeing the terms and conditions for their transactions with suppliers Payment is made in compliance with those terms, subject to the terms and conditions of the relevant transaction having been met by the supplier The Group's average creditor payment period at 31 December 2009 was 30 days (2008 44 days) The Company has no trade creditors (2008 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 Chief Executive's Viewpoint, the Chairman's Statement, the Business Review and the Principal Risks and Uncertainties on pages 4 and 5, 12 to 27 and 36 The financial position of the Group, including its cash flows, is described in the Financial Review on pages 28 to 33 In addition, note 2 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to cash flow and liquidity risk The Group is expected to incur significant further costs as it continues to develop its portfolio of candidate products and related technology The Directors expect that these costs will be met from existing financial resources, the proceeds of licensing agreements, and ultimately from the proceeds of sales of products However, there is no certainty that adequate resources will be available on a timely basis, and the Group may require additional financing for the future operation of its business, including further equity funding as appropriate, before it reaches sustained profitability The current turbulence in credit markets has no direct impact on the Group as it has no borrowings and no plans to issue debt instruments

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

BIA code
The UK BioIndustry Association ('BIA'), of which the Company is a member, adopted a code of best practice in 1999 The BIA code includes principles and provisions relating to corporate governance matters, access to external advice, confidentiality, dealings in the Company's shares, and standards of public announcements It is intended to operate by reference to the particular circumstances of bioscience companies and in support of the Combined Code and the rules of the Financial Services Authority Throughout 2009 the Company has complied with the relevant provisions of the BIA code

Information required to be disclosed by the Takeover Directive

Structure of the Company's capital
The Company's share capital comprises a single class of 1p ordinary shares, each carrying one vote and all ranking equally with each other At 9 March 2010 the authorised share capital was £10,000,000 comprising 1,000,000,000 1p ordinary shares 543,059,034 1p ordinary shares were 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 4 June 2009, authority was given to allot up to 179,832,900 shares, subject to the normal pre-emption rights reserved to shareholders contained in the Companies Act 2006, that number being one third of total issued share capital of the Company at the time Authority was also given, subject to certain conditions, to waive pre-emption rights over up to 83,624,700 shares, being 15% of the shares then in issue No rights have been granted to the Directors to buy back shares

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

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

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare 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 estimates that are reasonable and prudent

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

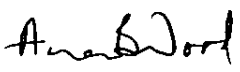
Each of the Directors, whose names and functions are listed in this section confirm that, to the best of their knowledge
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and 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
So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Corporate Governance
The Company's statement on corporate governance is included in the Corporate Governance report on pages 37 and 38 of these financial statements

By order of the Board



Andrew Wood
Company Secretary

Directors' Remuneration Report

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

Throughout 2009 the Remuneration Committee comprised two Non-Executive Directors Dr Alex Lewis (Chairman) and Nick Rodgers On 1 January 2010 Dr Paul Blake joined the Committee The Committee determines, on behalf of the Board, the Company's policy for executive remuneration, and the individual remuneration packages of the Executive Directors including awards under the Long Term Incentive Plan The Committee also determines the remuneration package of the Chairman At the Committee's invitation or request, the Chief Executive Officer and other Directors may be in attendance at the meetings of the Remuneration Committee The Committee has access to professional advice, both inside and outside the Company as required

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

Remuneration of Executive Directors and the Chairman
Consistent with this policy, the Company's remuneration packages awarded to Executive Directors are intended to be competitive and comprise a mix of performance-related and non-performance-related elements Salaries are normally reviewed on 1 January each year Other than for Dr Stuart Naylor, who was appointed as a Director on 1 July 2008 and whose salary was increased in 2009, Executive Director salaries have been frozen at their 2008 levels

There is a discretionary non-pensionable bonus scheme for Executive Directors, subject to the achievement of agreed goals and targets that are designed to incentivise them to perform at the highest levels and to align their interests with those of the shareholders The principal part of performance-linked remuneration is related to overall measures of Group performance with a small amount being linked to individual targets For 2009 the Group performance measures related to partnering of the Company's products and achievement of clinical and development milestones For the Executive Directors the performance-related annual bonus potential is up to 60% of basic salary The Committee approved bonuses of 42%-48% of salary for 2009 based on the achievements in 2009 In 2008 no annual bonuses were paid

Professor Alan Kingsman was Chief Executive Officer until 1 July 2008, when he became Chairman In his first year as Chairman (year ended 30 June 2009) he continued to hold an executive position, in order to support the CEO and senior management in a transition phase for the Company, with a salary of £175,000 per annum In 2009 a bonus of £30,000 was paid, and an award was made over 899,000 Ordinary Shares under the Long Term Incentive Plan, both items being linked to his service as an executive up to 30 June 2009 As agreed with the Committee, from 1 July 2009 the position of Chairman became non-executive, with a non-pensionable fee of £75,000 per annum A one-off additional pension contribution of £50,000 was paid on termination of Alan Kingsman's executive position in June 2009 In order for the Company to continue to have access to Alan's expertise and time, he entered into a consultancy agreement with the Group, commencing 1 July 2009 for an initial period of 2 years, at the rate of £75,000 per annum Dr Susan Kingsman, wife of Professor Alan Kingsman and former Chief Scientific Officer also has a consultancy agreement with the Group, from 1 July 2008 for an initial period of 2 years at the rate of £50,000 per annum

On 1 September 2009 1,500,000 new Ordinary Shares of 1p each were allotted to John Dawson The shares were fully paid, and were a one-off share-based bonus payment, in accordance with his contract of employment, for successful achievement of the transactions with sanofi-aventis in April 2009 The value of the shares at the closing mid-market price on 28 August 2009 (the trading day immediately prior to issue), was £172,500 The Company has borne an additional cost of £119,873 required to gross up the value of the shares for income tax and National Insurance

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

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

Directors and senior managers may participate in a share-based long term incentive plan (LTIP) Details of the awards made in 2009 under the LTIP are on page 48 Awards under the LTIP may be conditional shares or nil-cost options, the release of which will depend on the completion of a holding period of at least three years and the satisfaction of performance conditions It is the intention of the Remuneration Committee to have one main performance condition attached to share awards granted under the LTIP, which is comparative Total Shareholder Return measured against a comparator group of companies The comparator group for the LTIP awards made in March 2009 was

Alizyme plc[2], Allergy Therapeutics plc, Antisoma plc, Ark Therapeutics Group plc, Axis-Shield plc, Biocompatibles International plc, BTG plc, Corin Group plc, Dechra Pharmaceuticals plc, Goldshield Group plc, GW Pharmaceuticals Plc, Optos plc, ProStrakan Group plc, Proteome Sciences plc, Renovo Plc, Silence Therapeutics Plc, Sinclair Pharma Plc, SkyePharma plc, Summit Corporation plc

1 This is the same group used for the 2008 LTIP awards apart from the substitution of Acambis plc, Meldex International plc and Protherics plc by GW Pharmaceuticals Plc, Renovo Plc and Sinclair Pharma Plc
2 After the comparator group was selected, Alizyme plc went into administration on 24 July 2009 It remains in the comparator group but with a share price of zero from that date

No awards under the LTIP will be released for less than median performance at the testing date Median performance will result in release of 25% of the shares Upper quartile performance (i e greater than 75th percentile performance) will result in release of 100% of the shares, with straight line release between these points If the performance conditions are not satisfied or are partially satisfied at the end of the holding period, the LTIP award or the balance of the award (as appropriate) not released shall lapse There will be no re-testing of the performance conditions

The maximum level of awards under the LTIP in any calendar year is 150% of each eligible employee's emoluments The Committee intends that annual awards to Executive Directors will not normally exceed 100% of salary Taking account of the level of the Company's share price in March 2009 and of the potentially high number of shares and the dilutive impact of an award of 100%, the 2009 LTIP award was scaled back to 30%-46% of salary The overall limit on dilution from share schemes allows the Company to issue up to 10% of its shares within a ten year period to satisfy awards to participants in the LTIP and any other share plan operated by the Company under which shares are issued Including the LTIP and all other share plans, assuming that 100% of presently un-vested LTIP awards and share options vest and are exercised, and taking into account all options granted in the last 10 years that had been exercised by 31 December 2009, the maximum potential dilution against this limit was 7 01%

Following the introduction of the LTIP in 2007, it is no longer the Group's policy to award share options to Executive Directors Share options continue to be awarded to other eligible employees Prior to 2007, share options were awarded to Executive Directors, including the present Chairman The exercise price for all share options is the market price of the Company's ordinary shares on the last trading day before the date of grant Full details of Directors' share options are on page 47 A summary of all share options outstanding at 31 December 2009 is given in note 22 to the financial statements The remaining share options held by Directors at 31 December 2009 are subject to the rules of the Oxford BioMedica 1996 (No 1) Share Option Scheme These options became exercisable three years from the date of grant, and will cease to be exercisable seven years from the date of grant All awards of share options are at the discretion of the Remuneration Committee Share options held by Directors are mostly subject to a performance-based condition, described in note 1 on page 47

In September 2009 Nick Woolf agreed to surrender the right to exercise a vested option over 801,124 shares that had been granted in September 2002 with an exercise price of 8 75p per share and were required to be exercised within 7 years of the grant A taxable compensation payment of £19,211 was paid for this surrender This course of action was agreed on after the Company's broker advised that a sale at the time would have a significant negative effect on the share price due to the size of the transaction, a lack of liquidity and the nature of the sale The Committee was consulted and agreed that it would be in the best interest of shareholders as a whole to allow the share options to lapse and to make the payment to Nick Woolf in compensation

Remuneration of Non-Executive Directors

The fees paid to Non-Executive Directors (and prior to July 2008 to the Chairman) are determined by the Board Non-Executive Directors do not receive pension contributions or a bonus Non-Executive Directors do not participate in the Company's share option schemes

The Non-Executive Directors have appointments that are for three years unless terminated by three months' written notice by either party Non-Executive Directors' appointments may be renewed by mutual agreement As recommended by Combined Code provision A 7 2, any term beyond six years for a Non-Executive Director is subject to considered review by the Board Non-Executive directors serving beyond nine years are subject to renewal for one year at a time, and are submitted for re-election each year at the Annual General Meeting

Directors' service contracts

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

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

	Contract date	Unexpired term at 31 December 2009	Notice period	Contractual termination payments
Mark Berninger	30 January 2009	Nil[1]	3 months	Notice period only
John Dawson	10 October 2008	Nil[2]	12 months	Notice period only
Professor Alan Kingsman[3]	20 May 2009	2 years 6 months	3 months	Notice period only
Dr Alex Lewis	3 April 2008	1 year 3 months	3 months	Notice period only
Dr Stuart Naylor	1 July 2008	Nil[2]	12 months	Notice period only
Peter Nolan	1 May 2002	Nil[2]	12 months	Notice period only
Nick Rodgers	2 March 2007	2 months	3 months	Notice period only
Andrew Wood	31 October 1996	Nil[2]	12 months	Notice period only
Nick Woolf	3 March 2005	Nil[2]	12 months	Notice period only

1 Mark Berninger resigned from the Board on 1 January 2010
2 Executive Directors' contracts are for an initial term of 12 months and thereafter are subject to 12 months notice
3 In addition to his appointment as Chairman, Professor Alan Kingsman entered into a consultancy agreement with the Group, commencing 1 July 2009 for an initial period of 2 years

Directors' Remuneration Report

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

Name of Director	Salary and fees £	Annual Bonus £	Benefits £	Compensation for loss of office £	Other payments £	2009 total emoluments £	2009 pension £	[1]2008 total emoluments £	[1]2008 pension £
Chairman									
Professor Alan Kingsman[2]	112,500	30,000	6,073	50,000	37,500	**186,073**	**6,250**	223,239	22,034
Dr Peter Johnson[3]	–	–	–	–	–	–	–	57,750	–
Executive									
John Dawson	330,000	158,400	3,204	–	–	**491,604**	**33,000**	123,944	5,500
John Dawson one-off share-settled bonus[4]	–	292,373	–	–	–	**292,373**	–	–	–
Dr Stuart Naylor	170,833	84,000	2,921	–	–	**257,754**	**17,083**	78,568	7,750
Peter Nolan	173,565	78,104	4,559	–	–	**256,228**	**17,357**	177,410	17,357
Andrew Wood	219,945	98,975	2,986	–	–	**321,906**	**21,995**	222,057	21,995
Nick Woolf[5]	174,515	74,521	5,284	–	–	**254,320**	**17,743**	179,307	17,743
Professor Susan Kingsman[6]	–	–	–	–	–	–	–	64,576	6,363
Dr Michael McDonald	–	–	–	–	–	–	–	477,095	–
Non-Executive									
Mark Berninger[3 7]	32,402	–	–	8,030	–	**40,432**	–	34,675	–
Dr Alex Lewis	38,947	–	–	–	–	**38,947**	–	28,396	–
Nick Rodgers[3]	48,968	–	–	–	–	**48,968**	–	52,926	–
	1,301,675	816,373	25,027	58,030	37,500	**2,188,605**	**113,428**	1,719,943	98,742

1 Comparative figures for 2008 may not be for a full year 2008 figures for John Dawson, Dr Stuart Naylor and Dr Alex Lewis are for the periods from their dates of appointment to the Board respectively 1 August 2008, 1 July 2008 and 3 April 2008 For 3 directors who left the Board in 2008, the 2008 figures are for the periods from 1 January 2008 up to the dates that they resigned 1 July 2008 for Dr Peter Johnson and Professor Susan Kingsman, and 28 August 2008 for Dr Michael McDonald
2 Professor Alan Kingsman was Chief Executive Officer until 1 July 2008, when he became Chairman The amounts reported for 2008 include his remuneration both as Chief Executive Officer and as Chairman A one-off additional pension contribution of £50,000 was paid in 2009 when the position of Chairman became non-executive In addition to the amounts above, Professor Alan Kingsman received consultancy fees of £37,500 (2008 nil)
3 These amounts represent amounts payable to third parties for the services of Non-Executive Directors
4 John Dawson received a one-off share-based bonus payment in 2009 The value, grossed-up for income tax and National Insurance, was £292,373
5 In addition to the amounts above, a compensation payment of £19,211 was paid to Nick Woolf in relation to the surrender of certain share options
6 In addition to the amounts above, Professor Susan Kingsman was paid consultancy fees of £50,000 (2008 £25,000)
7 Mark Berninger resigned from the Board on 01 January 2010

Retirement benefits are accruing to five Directors (2008 six) under Oxford BioMedica (UK) Limited's money purchase pension scheme

Directors' interests
Interest in shares
The interests of the Directors in the shares of the Company at 31 December 2009, together with their interests at 1 January 2009, were as follows

The Company – ordinary shares of 1p each	Number of ordinary shares[1] 31 December 2009	1 January 2009
John Dawson	**1,500,000**	–
Professor Alan Kingsman	**13,032,590**	13,032,590
Dr Alex Lewis	**100,000**	100,000
Dr Stuart Naylor	**8,921**	8,921
Peter Nolan	**263,638**	263,638
Nick Rodgers	**52,000**	52,000
Andrew Wood	**305,067**	305,067
Nick Woolf	**195,000**	195,000

1 Includes shares held by persons connected with the Director
2 Mark Berninger did not have any interest in the Company's shares at 1 January or 31 December 2009

There were no changes in the Directors' shareholdings between 31 December 2009 and the date of this report

Interests in share options *

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

	Options over ordinary shares of 1p each							
	1 January 2009	Granted	Exercised	Lapsed	31 December 2009	Exercise price	Date from which exerciseable	Expiry Date
Prof Alan Kingsman[1]	180,000	–	–	–	**180,000**	19 25p	27 10 06	27 10 10
Prof Susan Kingsman[1,2]	150,000	–	–	–	**150,000**	19 25p	27 10 06	27 10 10
Prof Alan Kingsman[1]	190,000	–	–	–	**190,000**	20 5p	12 10 07	12 10 11
Prof Susan Kingsman[1,2]	155,000	–	–	–	**155,000**	20 5p	12 10 07	12 10 11
Prof Alan Kingsman[1]	208,000	–	–	–	**208,000**	29 0p	15 12 08	15 12 12
Prof Susan Kingsman[1,2]	170,000	–	–	–	**170,000**	29 0p	15 12 08	15 12 12
	1,053,000	–	–	–	**1,053,000**			
Dr Michael McDonald[3]	379,500	–	–	(379,500)	–	42 75p	27 09 08	27 09 12
Dr Michael McDonald[3]	759,000	–	–	(759,000)	–	29 0p	15 12 08	15 12 12
Dr Michael McDonald[1,3]	209,000	–	–	(209,000)	–	31 0p	06 09 09	06 09 13
	1,347,500	–	–	(1,347,500)	–			
Dr Stuart Naylor	97,485	–	–	–	**97,485**	20 5p	12 10 07	12 10 11
Dr Stuart Naylor[1]	120,750	–	–	–	**120,750**	29 0p	15 12 08	15 12 12
	218,235	–	–	–	**218,235**			
Peter Nolan[1]	140,000	–	–	–	**140,000**	20 5p	12 10 07	12 10 11
Peter Nolan[1]	153,000	–	–	–	**153,000**	29 0p	15 12 08	15 12 12
	293,000	–	–	–	**293,000**			
Andrew Wood[1]	175,000	–	–	–	**175,000**	20 5p	12 10 07	12 10 11
Andrew Wood[1]	193,000	–	–	–	**193,000**	29 0p	15 12 08	15 12 12
Andrew Wood[4]	172,531	–	–	–	**172,531**	29 0p	21 03 09	21 03 13
Andrew Wood[4]	172,531	–	–	–	**172,531**	31 0p	06 09 09	06 09 13
Andrew Wood[4]	–	25,000	–	(18,402)	**6,598**	6 1p	25 03 12	25 03 19
	713,062	25,000	–	(18,402)	**719,660**			
Nick Woolf[5]	801,124	–	–	(801,124)	–	8 75p	16 09 05	16 09 09
Nick Woolf	132,000	–	–	–	**132,000**	19 25p	27 10 06	27 10 10
Nick Woolf[1]	153,000	–	–	–	**153,000**	29 0p	15 12 08	15 12 12
	1,086,124	–	–	(801,124)	**285,000**			

1 A performance-based condition applies to these options The options are exercisable only if at the time of exercise, or for a period of at least 12 months in aggregate in the three years before exercise, the percentage increase in Oxford BioMedica plc's total shareholder return since the grant of the option exceeds the percentage increase in the FTSE techMARK mediscience index This target was chosen because the Directors believe that the FTSE techMARK mediscience index should be a benchmark that reflects the factors bearing on the UK biotechnology sector

2 Dr Susan Kingsman resigned from the Board on 1 July 2008, and became a Senior Scientific Consultant In accordance with the rules of the Oxford BioMedica 1996 (No 1) Share Option Scheme, the options held at 1 July 2008 remain in place on their original terms Dr Susan Kingsman is the wife of Professor Alan Kingsman

3 Dr Michael McDonald resigned on 28 August 2008 In accordance with the rules of the Oxford BioMedica 1996 (No 1) Share Option Scheme these options remained in place, but subsequently lapsed on 28 February 2009

4 As part of Company-wide awards of share options to employees of Oxford BioMedica (UK) Limited in 2006 and 2009, a total of 370,062 options have been awarded to Sharon Wood, wife of Andrew Wood, who was a Group employee until 31 December 2009 On the termination of Sharon Wood's employment on 31 December 2009, in accordance with the Option Scheme rules, 6,598 of the options granted on 25 March 2009 vested, and the remaining 18,402 options lapsed All of Sharon Wood's remaining share options are exercisable until 30 June 2010 at which point if not exercised, they will lapse

5 In September 2009 Nick Woolf agreed not to exercise these options, and they lapsed on 16 September 2009 A compensation payment of £19,211 was made

Directors' Remuneration Report

Long-term incentive plan *
Awards have been made to Executive Directors under the LTIP as follows

	1 January 2009	Awarded	Vested	Lapsed	31 December 2009	Award date	Vesting Date
John Dawson	2,500,000	–	–	–	**2,500,000**	13 10 08	13 10 11
John Dawson	–	2,500,000	–	–	**2,500,000**	25 03 09	25 03 12
	2,500,000	2,500,000	–	–	**5,000,000**		
Prof Alan Kingsman	735,533	–	–	–	**735,533**	03 04 07	03 04 10
Prof Alan Kingsman	1,291,871	–	–	–	**1,291,871**	13 03 08	13 03 11
Prof Susan Kingsman	–	899,000	–	–	**899,000**	25 03 09	25 03 12
	2,027,404	899,000	–	–	**2,926,404**		
Dr Stuart Naylor	215,975	–	–	–	**215,975**	03 04 07	03 04 10
Dr Stuart Naylor	311,284	–	–	–	**311,284**	13 03 08	13 03 11
Dr Stuart Naylor	–	811,000	–	–	**811,000**	25 03 09	25 03 12
	527,259	811,000	–	–	**1,338,259**		
Peter Nolan	547,955	–	–	–	**547,955**	03 04 07	03 04 10
Peter Nolan	711,400	–	–	–	**771,400**	13 03 08	13 03 11
Peter Nolan	–	854,000	–	–	**854,000**	25 03 09	25 03 12
	1,319,355	854,000	–	–	**2,173,355**		
Andrew Wood	694,379	–	–	–	**694,379**	03 04 07	03 04 10
Andrew Wood	977,533	–	–	–	**977,533**	13 03 08	13 03 11
Andrew Wood	–	1,082,000	–	–	**1,082,000**	25 03 09	25 03 12
	1,671,912	1,082,000	–	–	**2,753,912**		
Nick Woolf	560,161	–	–	–	**560,161**	03 04 07	03 04 10
Nick Woolf	788,582	–	–	–	**788,582**	13 03 08	13 03 11
Nick Woolf	–	873,000	–	–	**873,000**	25 03 09	25 03 12
	1,348,743	873,000	–	–	**2,221,743**		

1 Awards made under the LTIP are nil-cost share options
2 The performance condition for these awards compares the Company's TSR to the TSR of a chosen group of healthcare and biotechnology companies over a three year period A median ranking must be achieved before any part of the award vests (25% of the award) and an upper quartile ranking must be achieved for the award to vest in full

The Company has reviewed the performance conditions that apply to the LTIP awards in order to estimate the extent to which the awards might vest Assuming that relative share price performance in the comparator groups remains consistent with performance up to 31 December 2009, the Directors estimate that the LTIP awards would vest as follows

- Award made on 3 April 2007 less than median performance – none of this award would vest
- Award made on 17 March 2008 less than median performance – none of this award would vest
- Award made on 13 October 2008 performance ranked at 75th percentile – all of this award would vest
- Award made on 25 March 2009 performance ranked at 85th percentile – all of this award would vest

The market value of ordinary shares as at 31 December 2009 was 11 25p (31 December 2008 6 63p) The market value of ordinary shares during the year ranged from 5 88p to 17 0p

Except as detailed above, no Directors had interests in shares or share options of the Company or any other Group company at 31 December 2009 There have been no changes in the interests of the Directors in ordinary shares of the Company between 31 December 2009 and the date of this report

Comparison of five year total shareholder return

Oxford BioMedica plc
FTSE all-share index
FTSE techMARK mediscience index

The chart shows the value at the end of each year of £100 invested on 31 December 2004 in Oxford BioMedica 1p ordinary shares (OXB) compared to the change in the FTSE all-share index and the FTSE techMARK mediscience index over the same period As we have seen in previous years, the Company's share price tends to follow the trends shown by the benchmark indices, but with significantly greater volatility In 2005, when the market was generally rising, the OXB share price rose very strongly The abrupt drop in the OXB share price in the 4th quarter of 2005 reflects the pricing of an OXB share issue in December 2005 Despite this, OXB still outperformed the benchmark indices in 2005 by a wide margin In the second half of 2006 the OXB share price recovered strongly, and once again significantly outperformed a rising market This cycle reached a peak when we secured a partner for the development of TroVax in quarter 1 of 2007 However, through the rest of 2007 and 2008, the OXB price followed the established pattern in a falling market, falling more rapidly than the market On top of this, the abrupt drop in quarter 3 of 2008 was a result of the setback with TRIST, which was announced on 11 July 2008 The market as a whole made a recovery from quarter 2 of 2009, and as usual the OXB share price rose more rapidly than the benchmark indices Over the whole of 2009 the OXB share price rose by 70%, compared to a gain in the FTSE all-share index of 25% and a gain of 29% in the FTSE techMARK index

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

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

Dr Alex Lewis
Chairman of the Remuneration Committee

Independent Auditors' Report

to the members of Oxford BioMedica plc

We have audited the financial statements of Oxford BioMedica plc for the year ended 31 December 2009 which comprise the Consolidated Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 43, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 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 37 and 38 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements

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

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

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

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 42, in relation to going concern, and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Miles Saunders (Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
9 March 2010

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Notes	2009 Pre-exceptional items £000	2009 Exceptional items (note 5) £000	2009 Total £000	2008 Pre-exceptional items £000	2008 Exceptional items (note 5) £000	2008 Total £000
Revenue	3	**9,031**	**10,089**	**19,120**	18,394	–	18,394
Cost of sales credit/(charge)	7	**90**	**(527)**	**(437)**	(1,295)	–	(1,295)
Gross profit		**9,121**	**9,562**	**18,683**	17,099	–	17,099
Research and development costs	7	**(14,899)**	**(3,392)**	**(18,291)**	(22,482)	(4,561)	(27,043)
Administrative expenses	7	**(6,056)**	**(169)**	**(6,225)**	(3,840)	–	(3,840)
Other operating income grants receivable		**103**	–	**103**	113	–	113
Operating (loss)/profit		**(11,731)**	**6,001**	**(5,730)**	(9,110)	(4,561)	(13,671)
Finance income	6	**669**	–	**669**	1,662	–	1,662
Finance costs	6	**(33)**	–	**(33)**	(24)	–	(24)
(Loss)/profit before tax		**(11,095)**	**6,001**	**(5,094)**	(7,472)	(4,561)	(12,033)
Taxation	8	**1,579**	–	**1,579**	1,992	–	1,992
(Loss)/profit for the year	25	**(9,516)**	**6,001**	**(3,515)**	(5,480)	(4,561)	(10,041)
Other comprehensive income							
Exchange adjustments		**16**	–	**16**	(67)	–	(67)
Total recognised comprehensive (expense)/income for the year		**(9,500)**	**6,001**	**(3,499)**	(5,547)	(4,561)	(10,108)
Basic loss and diluted loss per ordinary share	9	**(1 76p)**	**1 11p**	**(0 65p)**	(1 02p)	(0 85p)	(1 87p)

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

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

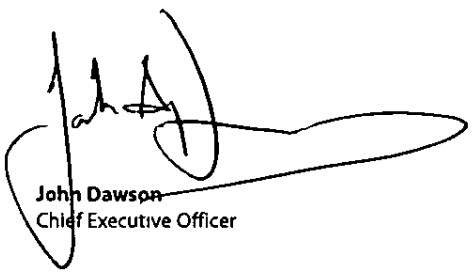
Balance Sheets

as at 31 December 2009

	Notes	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Assets					
Non-current assets					
Intangible assets	11	**11,119**	11,119	**–**	–
Property, plant and equipment	12	**631**	688	**–**	–
Financial assets Investments in subsidiaries	13	**–**	–	**60,953**	35,671
		11,750	11,807	**60,953**	35,671
Current assets					
Trade and other receivables	14	**4,628**	7,305	**2**	3
Current tax assets		**2,269**	2,119	**–**	–
Financial assets Available for sale investments	15	**18,500**	13,750	**–**	–
Cash and cash equivalents	15	**6,802**	8,141	**1**	–
		32,199	31,315	**3**	3
Current liabilities					
Trade and other payables	16	**7,669**	10,558	**73**	52
Deferred income	17	**4,741**	4,486	**–**	–
Provisions	18	**898**	88	**–**	–
		13,308	15,132	**73**	52
Net current assets/(liabilities)		**18,891**	16,183	**(70)**	(49)
Non-current liabilities					
Other non-current liabilities		**102**	131	**–**	–
Deferred income	17	**9,024**	3,957	**–**	–
Provisions	18	**539**	631	**–**	–
		9,665	4,719	**–**	–
Net assets		**20,976**	23,271	**60,883**	35,622
Shareholders' equity					
Share capital	21	**5,412**	5,373	**5,412**	5,373
Share premium	24	**110,043**	109,686	**110,043**	109,686
Merger reserve	26	**14,310**	14,310	**13,599**	13,599
Other reserves	26	**(676)**	(692)	**3,329**	2,521
Retained losses	25	**(108,113)**	(105,406)	**(71,500)**	(95,557)
Total equity		**20,976**	23,271	**60,883**	35,622

The Company's registered number is 3252665

The financial statements on pages 51 to 81 were approved by the Board of Directors on 9 March 2010 and were signed on its behalf by



John Dawson
Chief Executive Officer

Statements of Cash Flows

for the year ended 31 December 2009

	Notes	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Cash flows from operating activities					
Cash generated by/(used in) operations	27	**904**	(20,610)	**(136)**	(173)
Net interest received		**976**	2,162	**–**	–
Tax credit received		**1,500**	2,551	**–**	–
Overseas tax paid		**(67)**	(74)	**–**	–
Net cash generated by/(used in) operating activities		**3,313**	(15,971)	**(136)**	(173)
Cash flows from investing activities					
Loan to subsidiary		**–**	–	**(259)**	(438)
Proceeds from sale of property, plant and equipment		**1**	10	**–**	–
Purchases of property, plant and equipment		**(247)**	(162)	**–**	–
Purchases of intangible assets		**(41)**	(766)	**–**	–
Net (purchase)/maturity of available for sale investments		**(4,750)**	13,435	**–**	–
Net cash (used in)/generated by investing activities		**(5,037)**	12,517	**(259)**	(438)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		**396**	611	**396**	611
Net cash generated by financing activities		**396**	611	**396**	611
Net (decrease)/increase in cash and cash equivalents		**(1,328)**	(2,843)	**1**	–
Cash and cash equivalents at 1 January		**8,141**	10,962	**–**	–
Effect of exchange rate changes		**(11)**	22	**–**	–
Cash and cash equivalents at 31 December	15	**6,802**	8,141	**1**	–

Statement of Changes in Equity

for the year ended 31 December 2009

Group	Notes	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Retained losses £000	Total £000
At 1 January 2008		5,347	109,101	14,310	(625)	(96,201)	31,932
Year ended 31 December 2008							
Exchange adjustments		–	–	–	(67)	–	(67)
Loss for the year		–	–	–	–	(10,041)	(10,041)
Total comprehensive expense for the year		–	–	–	(67)	(10,041)	(10,108)
Transactions with owners							
Share options							
Proceeds from shares issued	21,24	2	50	–	–	–	52
Value of employee services	23	–	–	–	–	836	836
Issue of shares excluding options	21,24	24	545	–	–	–	569
Costs of share issues	24	–	(10)	–	–	–	(10)
At 31 December 2008		**5,373**	**109,686**	**14,310**	**(692)**	**(105,406)**	**23,271**
Year ended 31 December 2009							
Exchange adjustments		–	–	–	16	–	16
Loss for the year		–	–	–	–	(3,515)	(3,515)
Total comprehensive expense for the year		–	–	–	**16**	**(3,515)**	**(3,499)**
Transactions with owners:							
Share options							
Proceeds from shares issued	21,24	**2**	**13**	–	–	–	**15**
Value of employee services	23	–	–	–	–	**808**	**808**
Issue of shares excluding options	21,24	**37**	**308**	–	–	–	**345**
Net credit for shares issue costs	24	–	**36**	–	–	–	**36**
At 31 December 2009		**5,412**	**110,043**	**14,310**	**(676)**	**(108,113)**	**20,976**

Company	Notes	Share capital £000	Share premium £000	Merger reserve £000	Other reserve £000	Retained losses £000	Total £000
At 1 January 2008		5,347	109,101	13,599	1,685	(10,340)	119,392
Year ended 31 December 2008							
Loss for the year		–	–	–	–	(85,217)	(85,217)
Total comprehensive expense for the year		–	–	–	–	(85,217)	(85,217)
Transactions with owners							
Share options							
Proceeds from shares issued	21,24	2	50	–	–	–	52
Credit in relation to employee share schemes	26	–	–	–	836	–	836
Issue of shares excluding options	21,24	24	545	–	–	–	569
Costs of share issues	24	–	(10)	–	–	–	(10)
At 31 December 2008		**5,373**	**109,686**	**13,599**	**2,521**	**(95,557)**	**35,622**
Year ended 31 December 2009							
Profit for the year		–	–	–	–	24,057	24,057
Total comprehensive income for the year		–	–	–	–	**24,057**	**24,057**
Transactions with owners							
Share options							
Proceeds from shares issued	21,24	**2**	**13**	–	–	–	**15**
Credit in relation to employee share schemes	26	–	–	–	**808**	–	**808**
Issue of shares excluding options	21,24	**37**	**308**	–	–	–	**345**
Net credit for share issue costs	24	–	**36**	–	–	–	**36**
At 31 December 2009		**5,412**	**110,043**	**13,599**	**3,329**	**(71,500)**	**60,883**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

1 ACCOUNTING POLICIES

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

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and International Financial Reporting Interpretations Committee ('IFRIC') interpretations endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The financial statements are prepared in accordance with the historical cost convention as modified by revaluation of available for sale investments As more fully explained in the Directors' report on page 42 the going concern basis has been adopted in preparing the financial statements

Accounting developments
(a) Standards, amendments and interpretations mandatory in 2009

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009

- IFRS 8, 'Operating segments' (effective 1 January 2009) IFRS 8 replaces IAS 14, 'Segment reporting' It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes Management considers that there is only one reportable segment biotechnology research and development Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision-maker has been identified as the Senior Management Group that makes strategic decisions Assets, liabilities and overheads are allocated to this one segment
- IAS 1 (revised), 'Presentation of financial statements' (effective 1 January 2009) The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity All 'non-owner changes in equity' are required to be shown in a performance statement Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income) The Group has elected to present a single statement of comprehensive income These financial statements have been prepared under the revised disclosure requirements
- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) IFRS 2 (amendment) deals with vesting conditions and cancellations It clarifies that vesting conditions are either service or performance conditions only Other features of a share-based payment would need to be included in the grant date fair value calculation for transactions with employees and others providing similar services, they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date All cancellations, whether by the entity or by other parties, should receive the same accounting treatment The amendment does not have a material impact on the Group's financial statements
- IFRS 7 (amendment), 'Financial instruments disclosures' (effective 1 January 2009) This requires all financial instruments that are measured at fair value in the balance sheet to be classified into a three-level fair value hierarchy The amendments are designed to assist understanding of the determination of fair value measurements and are provided in Note 19
- IAS 32 (amendment), 'Financial instruments Presentation' (effective 1 January 2009) Puttable financial instruments and obligations arising on liquidation require certain instruments to be classified as equity puttable financial instruments The amendment does not have a material impact on the Group's financial statements

(b) Standards, amendments and interpretations mandatory in 2009 but not relevant

The following amendments and interpretations to published standards are effective for accounting periods beginning on or after 1 January 2009 but are not relevant to the Group's operations

- IAS 16 (amendment), 'Property, plant and equipment' (effective 1 January 2009) Where entities routinely sell items of property, plant and equipment that have been held for rental to others, they shall
  - transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale
  - recognise the income on disposal of such assets in revenue in accordance with IAS 18, Revenue
  - classify cash flows upon the purchase and disposal of such assets within 'operating activities' in the Consolidated Cash Flow Statement
- IAS 23 (amendment), 'Borrowing costs' (effective 1 January 2009) This removes the option of immediately recognising as an expense those borrowing costs which relate to assets that take a substantial period of time to prepare for their intended use
- IAS 39 and IFRIC 9 (amendments) regarding embedded derivatives (effective 1 July 2008) IFRIC 9, 'Financial instruments' introduces new requirements for the classification and measurement of financial assets, simplifying the mixed measurement model currently applied under IAS 39, 'Financial instruments recognition and measurement', by defining two primary measurement categories for financial assets amortised cost and fair value The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39
- IFRIC 13, 'Customer loyalty programmes' (effective 1 July 2008 but EU-endorsed for use 1 January 2009) provides guidance on the treatment of customer loyalty programmes An entity shall account for award credits which are granted as part of customer loyalty programmes as separately identifiable components of a sales transaction The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and other components of the sale
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective 1 July 2008 but EU-endorsed for use 1 January 2009) This applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements
- IFRIC 15, 'Agreements for the construction of real estate' (effective 1 January 2009 but EU-endorsed for use 1 January 2010) addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

1 ACCOUNTING POLICIES continued

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not adopted them early

- IAS 39 (amendment), 'Financial instruments Recognition and measurement' (effective 1 July 2009) has been amended to be consistent with IFRS 8, Operating segments, which requires disclosure for segments to be based on information reported to the chief operating decision-maker
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective 1 July 2009) applies to the entity making the distribution, not to the recipient, when non-cash assets are distributed to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets In particular, a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and should be measured at the fair value of the net assets to be distributed
- IFRIC 18, 'Transfer of assets from customers' (effective 1 July 2009) clarifies the requirements for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services When the item of property, plant and equipment transferred from a customer meets the definition of an asset under the IASB Framework from the perspective of the recipient, the recipient must recognise the asset in its financial statements

(d) Interpretations and amendments to existing standards that are not yet mandatory and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but are not relevant for the Group's operations

- IAS 27 (revised), 'Consolidated and separate financial statements', and IFRS 1 (revised), 'First time adoption' (both effective 1 July 2009), allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor The revised standard also specifies the accounting where there is no change in control or control is lost Where there is a change in control, the effects of all transactions with non-controlling interests are recorded in equity and these transactions will no longer result in goodwill or gains and losses Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss
- IFRS 3 (revised), 'Business combinations' (effective 1 July 2009) requires that all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Income Statement There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets All acquisition-related costs should be expensed
- IFRIC 12, 'Service concession arrangements' (effective 30 March 2009) applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services, for example, under private finance initiative (PFI) contracts Under these arrangements, assets are assessed as either intangible assets or finance receivables
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective 1 October 2008 but EU-endorsed for use 1 July 2009) provides guidance on net investment hedging, including
  - which foreign currency risks qualify for hedge accounting and the amount that may be designated,
  - where within the Group the hedging instrument may be held, and
  - the amount which is reclassified to the Income Statement upon disposal of the hedged foreign operation

Use of estimates and assumptions

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

Critical accounting estimates and assumptions

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

In 2009 the Group received an upfront non-refundable payment of US$26 million (£16,641,000) from sanofi-aventis under the ocular product collaboration This is being recognised as revenue on a straight line basis over 42 to 51 months (the expected duration of the initial stage of the collaboration for each of the four products) Revenue of £3,110,000 was recognised under this collaboration in 2009, with the remaining £13,531,000 classified as deferred income If the revenue recognition periods had been six months longer, the amount of revenue recognised in 2009 would have been reduced by £383,000 and the amount of deferred income increased by the same amount Had the revenue recognition period been six months less, the amount of revenue recognised in 2009 would have increased by £508,000

For clinical trial costs the Group uses a percentage-of-completion method to accrue for such costs This method requires the Group to estimate the services performed by contractors to date as a proportion of total services to be performed If the accruals calculated using this method were over/under estimated by 5% with all other variables held constant there would have been an increase/decrease in research and development costs of £127,000 (2008 £193,000)

The Group has significant intangible assets arising from purchases of intellectual property rights and from the acquisition of Oxxon Therapeutics Limited in 2007 Under IFRS, intangible assets that have an indefinite useful life or which are not yet available for use are tested annually for impairment The impairment analysis is principally based on estimated discounted future cash flows Actual outcomes could vary significantly from such estimates of discounted future cash flows, due to the highly sensitive assumptions used The determination of the assumptions is subjective and requires the exercise of considerable judgement Any changes in key assumptions about the Group's business and prospects or changes in market conditions could materially affect the amount of impairment

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

Subsidiaries are entities that are directly or indirectly controlled by the Group Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities In assessing control, potential voting rights that are currently exercisable or convertible are taken into account

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

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

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

Joint ventures
Entities that are jointly controlled are consolidated using the proportionate consolidation method on a line by line basis which combine's the Group's assets, liabilities, income and expenses with the Group's share of assets, liabilities, income and expenses of the joint venture in which the Group has an interest

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

Product licence transactions typically have an initial 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 up front as a payment in consideration of the granting of the licence on execution of the contract Amounts receivable in respect of milestone payments are recognised as revenue when the specific conditions stipulated in the licence agreement have been met Payments linked to "success" such as regulatory filing or approval, achievement of specified sales volumes, are recognised in full when the relevant event has occurred Maintenance fees within the contracts are spread over the period to which they relate, usually a year Otherwise, amounts receivable are recognised in the period in which related costs are incurred, or over the estimated period to completion of the relevant phase of development or associated clinical trials

Research and development funding is recognised as revenue over a period that corresponds with the performance of the funded research and development services Where the Group incurs pass-through expenses in relation to collaborative partners' own research and development programmes, such costs are included in the Group's financial statements as operating expenses net of collaborator reimbursement, and the reimbursement received does not form part of the Group's revenue

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

1 ACCOUNTING POLICIES continued

Segmental reporting
The Group has one single business segment based upon its proprietary technology, operated out of two geographical locations – Oxford (UK), which is the principal operating site, generating all the revenue, and San Diego (USA), which provides intellectual property management and business development services to the UK subsidiary In prior years the Group also carried out laboratory-based research and development in San Diego On termination of laboratory-based activities in San Diego the US subsidiary relocated to smaller premises The redundant laboratory premises were sub-let to offset rental costs

Clinical trial expenses
Where advances are made to clinical trial sites, or stocks of materials for use of clinical trials are purchased and stored, the relevant costs are included in trade and other receivables as prepaid clinical trial expenses As described on page 56 under 'critical accounting estimates and assumptions', expenses are charged to the statement of comprehensive income as clinical trial services are carried out, or clinical trial materials are used

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

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

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

Leases
Assets acquired under leases are reviewed to see if they are operating leases or finance leases, based on the following assumptions
- If the leases transfer ownership of the assets at the end of the lease
- If they have a bargain purchase option
- If the lease term is for the major part of the economic life of the asset
- If the leased assets are specialised for the lease only

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

Property, plant and equipment
Property, plant and equipment are carried at their historical purchase cost, together with any incidental expenses of acquisition, less depreciation

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

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

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

Intangible assets
Intangible fixed assets, relating to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historic cost, less accumulated amortisation and impairments, where the useful economic life of the asset is finite and the asset will probably generate economic benefits exceeding costs Where a finite useful life of the acquired intangible asset cannot be determined, the asset is tested annually for impairment Amortisation would commence when products underpinned by the intellectual property rights became available for commercial use Amortisation would be calculated on a straight line basis over the shorter of the remaining useful life of the intellectual property or the estimated sales life of the products No amortisation has been charged to date, as the products underpinned by the intellectual property rights are not yet available for commercial use

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

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

Impairment of non-financial assets
The carrying value of non-financial assets with indefinite lives is reviewed annually for impairment and provision made where appropriate Charges or credits for impairment are passed through the statement of comprehensive income An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash-generating units

Financial assets- investments
Financial assets investments of the Group are carried at cost less any provision made for impairment

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

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held on call with banks, and other short term highly liquid investments with original maturities of three months or less Bank deposits with original maturities between three months and twelve months are included in current assets and are classified as available for sale financial assets

Provisions
Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations The increase in the provision due to the passage of time is recognised as interest expense

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

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

Share capital
Ordinary shares are classified as equity

Government and other grants
Income from Government and other grants is recognised over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis This grant income is included as other operating income within the statement of comprehensive income, and the related costs are included within research and development costs and administrative expenses Where the purchase of property, plant and equipment is supported by a grant, the relevant asset is included in the balance sheet at its full purchase price, and grant income is recognised over the useful life of the asset The difference between grant income receivable and income recognised is included in accruals

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

1 ACCOUNTING POLICIES continued

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

Employee benefit costs
The Group operates a defined contribution pension scheme for its Directors and employees The assets of the scheme are held in independently administered funds The pension cost charge recognised in the period represents amounts payable by the Group to the scheme

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

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

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

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

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

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

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

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

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

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

2 FINANCIAL RISK MANAGEMENT

Financial risk factors
The Group's relatively simple structure, principally operating in the United Kingdom, and the lack of debt financing reduces the range of financial risks to which it is exposed Monitoring of financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually The Group's agreed policies are implemented by the Chief Financial Officer, who submits reports at each Board meeting Other than occasional use of short term currency options, the Group does not use financial derivatives, and it is the Group's policy not to undertake any trading in financial instruments

(a) Foreign exchange risk
At the current time,the Group's revenues are mostly receivable in United States Dollars, and certain of its expenditures are payable in Euros and US Dollars The majority of operating costs are denominated in Sterling The Group's ongoing R&D funding from sanofi-aventis is receivable in US Dollars This presents a possible source of foreign exchange risk in respect of future receipts Funds received from sanofi-aventis to date have been converted to Sterling, so they no longer represent a foreign exchange risk The Group uses short term currency purchase options and interest-bearing deposits in Euros and US Dollars to manage short term fluctuations in exchange rates

(b) Interest rate risk
The Group does not have any committed borrowing facilities, as its cash balances are sufficient to finance its current operations The Group's policy is to maximise interest receivable on deposits, subject to maintaining access to sufficient liquid funds to meet day to day operational requirements, and preserving the security of invested funds To date, interest received on bank deposits has made a significant contribution to providing funding for the Group Interest receivable on bank deposits in 2009 was £642,000 (2008 £1,661,000) Interest rates across the market fell dramatically at the end of 2008, and this is reflected in much lower bank interest in 2009

If interest rates had been 100 basis points higher/lower in 2009, the impact on net loss in 2009 would have been a decrease/increase of £236,000 (2008 £289,000) 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

(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, including the TroVax and ocular collaborations with sanofi-aventis Future working capital is expected to be provided by commercial collaborations Such collaborations typically provide funding from milestone-based payments, which are significant in size but infrequent There can be no certainty that this source of funding will be sufficient, and that additional funding from other sources, including the issue of further shares, will not be required In planning the Group's activities and its financial resources, the Directors take account of the probability receiving income from commercial collaborations, and of the likely availability of other sources of funding The higher degree of risk-aversion that we continue to see in equity capital markets makes the issue of new share capital challenging in the near term The Group's spending plans have been set to achieve a balance between adding value to the key development programmes while seeking to maximise the operating window provided by current funds The Directors' current financial projections provide a reasonable basis from which they have concluded that the Group's financial resources are sufficient for the foreseeable future, and that there is presently no material cash flow or liquidity risk.

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

Derivative financial instruments and hedging
There were no derivatives at 31 December 2009 or 31 December 2008, 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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

3 SEGMENTAL ANALYSIS

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

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

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

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

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

Revenue by customer location	**2009 £000**	2008 £000
Europe	**18,991**	18,141
United States of America	**129**	253
Total revenue	**19,120**	18,394

Revenues attributable to the collaborations with sanofi-aventis were £18,922,000 (2008 £18,064,000)

4 EMPLOYEES AND DIRECTORS

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

By activity	2009 Number	2008 Number
Office and management	**11**	12
Research and development	**58**	73
Total	**69**	85

Employee benefit costs	2009 £000	2008 £000
Wages and salaries	**4,716**	4,289
Social security costs	**634**	369
Pension costs (note 28)	**295**	302
Share based payments (note 23)	**808**	836
Compensation for loss of office	**149**	350
Total employee benefit costs	**6,602**	6,146

Key management compensation	2009 £000	2008 £000
Salaries and short term employee benefits	**1,754**	1,708
Pension costs	**125**	109
Share based payments	**656**	496
Compensation for loss of office	**50**	291
Total	**2,585**	2,604

The key management figures above include Executive and Non-Executive Directors Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 44 to 49, which forms part of these financial statements

The Company had no employees during the year (2008 nil)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

5 EXCEPTIONAL ITEMS

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

Group	TroVax collaboration £000	TroVax clinical trials £000	31 December 2009 £000	31 December 2008 £000
Revenue	10,089	–	**10,089**	–
Cost of sales	(527)	–	**(527)**	–
Research and development costs	(676)	(2,716)	**(3,392)**	(4,561)
Administrative expenses	(169)	–	**(169)**	–
Exceptional operating profit/(loss)	8,717	(2,716)	**6,001**	(4,561)

On 28 April 2009 the Group's development partner, sanofi-aventis, terminated the TroVax collaboration and returned the worldwide rights relating to TroVax In connection with the termination, sanofi-aventis made payments totalling US$17,425,000 (£11,599,000), of which US$6,500,000 (£4,372,000) was a termination fee and US$10,925,000 (£7,227,000) was reimbursement of TroVax development expenditure incurred by the Group for the planned sanofi-aventis clinical development programme, treated as a pass-through cost to sanofi-aventis Exceptional expenses in 2009 are net of reimbursement received from sanofi-aventis

The Group has classified the following as exceptional items in connection with the sanofi-aventis collaboration the termination fee of £4,372,000, the remaining deferred TroVax income at the date of termination (£5,717,000), the write-off of prepaid cost of sales (royalty) of £527,000 attributable to the deferred income, and the write-off of £845,000 (R&D costs £676,000, administrative expenses £169,000) that, had the collaboration continued, were expected to be reimbursed by sanofi-aventis

On 3 June 2009 the FDA held a type C meeting with Oxford BioMedica to discuss the TRIST clinical trial and the future development of TroVax The FDA supported Oxford BioMedica's proposal to pursue clinical development of TroVax in metastatic disease, including colorectal, ovarian, hormone refractory prostate cancer, and triple-negative breast cancer, prior to further trials in renal cancer Proof of concept from new Phase II studies in these indications will be key to the successful development of TroVax in the future Data from the TRIST study in renal cancer will support the development of TroVax, but will not be a pivotal component It is probable that proof of concept from Phase II studies in metastatic disease will be required prior to commencing clinical trials in adjuvant settings

The Group has classified £2,716,000 as exceptional R&D costs in connection with the FDA review of TroVax development, comprising a provision of £2,202,000 for the estimated costs to close out the TRIST study in renal cancer, and the write-off of £514,000 prepaid clinical trial expenses in respect of the planned Quasar clinical trial in adjuvant colorectal cancer

Exceptional costs of £4,561,000 in the year ended 31 December 2008 resulted from impairment of intangible assets (in-process R&D and intellectual property rights)

6 FINANCE INCOME AND EXPENSE

Group	2009 £000	2008 £000
Finance income:		
Bank interest receivable	**642**	1,661
Other interest receivable	**27**	1
Total finance income	**669**	1,662
Finance expense		
Unwinding of discount in provisions (note 18)	**(10)**	(19)
Other interest payable	**(23)**	(5)
Total finance expense	**(33)**	(24)
Net finance income	**636**	1,638

7 EXPENSES BY NATURE

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Excluding exceptional items*				
Cost of sales (royalties payable)	**(90)**	1,295	–	–
Employee benefit costs (note 4)	**6,602**	6,146	–	–
Consumables used	**986**	820	–	–
Depreciation, amortisation and impairment charges (notes 11,12,13)	**311**	298	**(24,215)**	85,054
Profit on disposal of property, plant and equipment	**(1)**	(10)	–	–
Loss on disposal of intangible asset	**78**	–	–	–
Repairs and maintenance expenditure on property, plant and equipment	**203**	238	–	–
Operating lease payments (note 12)	**1,095**	1,005	–	–
Rental income from sublease (note 12)	**(458)**	(376)	–	–
Consultants and subcontracted research	**507**	514	–	–
Externally contracted clinical and preclinical development	**7,505**	13,397	–	–
Legal and professional fees including patent costs	**2,753**	2,226	**149**	154
Net loss/(gain) on foreign exchange	**377**	(695)	–	–
Other expenses	**997**	2,759	**9**	9
Total before exceptional items	**20,865**	27,617	**(24,057)**	85,217
Exceptional items				
Cost of sales (royalties payable)	**527**	–	–	–
Externally contracted clinical and preclinical development	**3,356**	–	–	–
Legal and professional fees	**169**	–	–	–
Other expenses	**36**	–	–	–
Impairment of intangible assets	–	4,561	–	–
Total for exceptional items	**4,088**	4,561	–	–
Total cost of sales, research and development and administrative expenses	**24,953**	32,178	**(24,057)**	85,217

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

	Group		Company	
Services provided by the Group's auditors	**2009 £000**	2008 £000	**2009 £000**	2008 £000
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**36**	34	**36**	34
Fees payable to the Company's auditors and its associates for other services				
The audit of the Company's subsidiaries pursuant to legislation	**29**	25	–	–
Other services pursuant to legislation	**18**	15	**10**	9
Tax compliance and advisory services	**33**	53	–	–
Total	**116**	127	**46**	43

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for the year ended 31 December 2009

8 TAXATION

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure The amount included in the statement of comprehensive income for the year ended 31 December 2009 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 2009 have not yet been agreed with the relevant tax authorities

	Group		Company	
Continuing operations	**2009 £000**	2008 £000	**2009 £000**	2008 £000
Current tax				
United Kingdom corporation tax research and development credit	**(1,650)**	(2,119)	**–**	–
Overseas taxation	**61**	59	**–**	–
	(1,589)	(2,060)	**–**	–
Adjustments in respect of prior periods				
United Kingdom corporation tax research and development credit	**–**	72	**–**	–
Overseas taxation	**10**	(4)	**–**	–
Taxation credit	**(1,579)**	(1,992)	**–**	–

The tax credit for the year is higher (2008 lower) than the standard rate of corporation tax in the UK The differences are explained below

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
(Loss)/profit on ordinary activities before tax	**(5,094)**	(12,033)	**24,057**	(85,217)
(Loss)/profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28% (2008 28 5%)	**(1,426)**	(3,430)	**6,736**	(24,287)
Effects of				
Accelerated tax depreciation and other timing differences	**117**	(319)	**–**	–
Expenses not deductible for tax purposes (permanent differences)	**15**	1,662	**(6,780)**	24,240
R&D relief mark-up on expenses	**(2,044)**	(1,834)	**–**	–
Difference in rate re R&D tax credits	**1,650**	1,916	**–**	–
Tax deduction for share options less than IFRS 2 charge	**32**	(108)	**–**	–
Overseas tax	**6**	6	**–**	–
Tax losses carried forward to future periods	**44**	47	**44**	47
Overseas tax difference in rate	**17**	–	**–**	–
Adjustments in respect of prior periods	**10**	68	**–**	–
Current tax credit for the year	**(1,579)**	(1,992)	**–**	–

At 31 December 2009, the Group had tax losses to be carried forward of approximately £80 2 million (2008 £79 7 million) of which £80 1 million has been agreed with the Revenue authorities Of the Group tax losses, £80 2 million (2008 £79 7 million) arose in the United Kingdom

There is no deferred tax recognised (see note 20)

9 BASIC LOSS AND DILUTED LOSS PER ORDINARY SHARE

The basic loss per share has been calculated by dividing the loss for the year by the weighted average number of shares of 539,872,996 in issue during the year ended 31 December 2009 (2008 537,176,196)

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

10 LOSS FOR THE FINANCIAL YEAR

As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements The Company's profit for the year was £24,057,000 (2008 loss of £85,217,000) The profit/loss includes a £24,215,000 writeback of charges for impairment of investments in subsidiaries (2008 impairment charge of £85,054,000)

11 INTANGIBLE ASSETS

Group	In-process R&D £000	Intellectual property rights £000	Total £000
Cost			
At 1 January 2009	10,400	5,505	15,905
Additions	–	78	78
Disposal	–	(78)	(78)
At 31 December 2009	**10,400**	**5,505**	**15,905**
Accumulated amortisation and impairment at 1 January and 31 December 2009	**3,598**	**1,188**	**4,786**
Net book amount at 31 December 2009	**6,802**	**4,317**	**11,119**
Cost			
At 1 January 2008	10,400	4,780	15,180
Additions	–	761	761
Disposal	–	(36)	(36)
At 31 December 2008	**10,400**	**5,505**	**15,905**
Accumulated amortisation and impairment			
At 1 January 2008	–	270	270
Impairment in the year	3,598	954	4,552
Disposal	–	(36)	(36)
At 31 December 2008	**3,598**	**1,188**	**4,786**
Net book amount at 31 December 2008	**6,802**	**4,317**	**11,119**

In-process R&D relates to the product Hi8-MEL acquired as part of the acquisition of Oxxon Therapeutics Limited in 2007 Intellectual property rights comprise third party patent rights that have been purchased by the Group No in-house research and development or patent costs are included in intangible assets

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

Impairment losses are recognised for the amount by which each asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use Value in use is calculated using estimated discounted future cash flows Key assumptions in the discounted cash flow calculations are

- The product is developed by a collaborative partner who funds all future development costs and markets the product
- The Group receives an initial licence fee, milestone payments and royalties on sales
- The cash flow projections include estimates for selling price, royalty rates, population growth, disease incidence and market penetration
- The resulting cash receipts are discounted at 12% per annum
- The cash flow projections are a long-term view, based on the expected patent life and a period after expiry of the patents Due to the length of the development cycle for innovative medicines, this period is significantly longer than 5 years

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

The Company had no intangibles at 31 December 2009 or 31 December 2008

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12 PROPERTY, PLANT AND EQUIPMENT

Group	Short leasehold improvements £000	Office equipment, fixtures and fittings £000	Computer equipment £000	Laboratory equipment £000	Total £000
Cost					
At 1 January 2009	2,783	99	309	2,821	6,012
Exchange adjustments	(43)	–	(2)	–	(45)
Additions at cost	140	2	20	92	254
Disposals	(16)	–	(33)	(54)	(103)
At 31 December 2009	**2,864**	**101**	**294**	**2,859**	**6,118**
Accumulated depreciation					
At 1 January 2009	2,547	89	177	2,511	5,324
Exchange adjustments	(43)	–	(2)	–	(45)
Charge for the year	109	3	58	141	311
Disposals	(16)	–	(33)	(54)	(103)
At 31 December 2009	**2,597**	**92**	**200**	**2,598**	**5,487**
Net book amount at 31 December 2009	**267**	**9**	**94**	**261**	**631**
Cost					
At 1 January 2008	2,632	95	295	2,826	5,848
Exchange adjustments	118	1	6	–	125
Additions at cost	33	3	88	59	183
Disposals	–	–	(80)	(64)	(144)
At 31 December 2008	**2,783**	**99**	**309**	**2,821**	**6,012**
Accumulated depreciation					
At 1 January 2008	2,344	84	202	2,408	5,038
Exchange adjustments	118	1	4	–	123
Charge for the year	85	4	51	167	307
Disposals	–	–	(80)	(64)	(144)
At 31 December 2008	**2,547**	**89**	**177**	**2,511**	**5,324**
Net book amount at 31 December 2008	**236**	**10**	**132**	**310**	**688**

The Company had no property, plant and equipment at 31 December 2009 or 31 December 2008

Lease rentals amounting to £1,072,000 (2008 £988,000) and £23,000 (2008 £17,000) relating to the lease of property and machinery, respectively, and sublease income of £458,000 (2008 £376,000) are included in the statement of comprehensive income (note 7)

13 INVESTMENT IN SUBSIDIARIES

Fixed asset investments Company	2009 £000	2008 £000
Shares in Group undertakings		
At 1 January	**17,158**	17,158
Additions in the year	**–**	–
At 31 December	**17,158**	17,158
Loans to Group undertakings		
At 1 January	**110,161**	109,723
Loan advanced in the year	**259**	438
At 31 December	**110,420**	110,161
Total investments in shares and loans to Group undertakings	**127,578**	127,319
Impairment		
At 1 January	**94,169**	9,115
Impairment (write-back)/charge in the year	**(24,215)**	85,054
At 31 December	**69,954**	94,169
Net book amount at 31 December	**57,624**	33,150
Capital contribution in respect of employee share schemes (see note 26)		
At 1 January	**2,521**	1,685
Additions in the year	**808**	836
At 31 December	**3,329**	2,521
Total investments	**60,953**	35,671

The Group had no investments at 31 December 2009 (2008 nil)

Interests in subsidiary undertakings

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by the Group and Company	Nature of business
Oxford BioMedica (UK) Limited	Great Britain	1p ordinary shares	100%	Gene therapy research and development
BioMedica Inc	United States of America	$0 001 common stock	100%	Gene therapy research and development
Oxxon Therapeutics Limited	Great Britain	1p ordinary shares	100%	Dormant

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

At each year end the Directors review the carrying value of the Company's investment in subsidiaries, by reference to the Group's market capitalisation on the London Stock Exchange Where there is a material and sustained shortfall, or a significant and sustained change in the business resulting in an increase in market capitalisation, the Directors consider this to be a trigger of an impairment review as set out in IAS 36, and the carrying value of the Company's investments in subsidiaries is adjusted The Directors consider that reference to the market capitalisation of the Group is an appropriate external measure of the value of the Group for this purpose Following an impairment review at 31 December 2009 £24,215,000 impairment recognised in prior years was written back A cumulative impairment of £69,954,000 was held at 31 December 2009

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13 INVESTMENT IN SUBSIDIARIES continued

Interests in joint ventures
The Company's subsidiary Oxford BioMedica (UK) Limited holds 10,000 ordinary shares of 5,000 Won each, representing 50% of the issued share capital of ViroTech Limited, a company incorporated in South Korea ViroTech Limited's business is gene therapy research and development To date, no significant level of transactions has been entered into, and the Directors of Oxford BioMedica are in discussions with the joint venture partner to dispose of Oxford BioMedica's interest in ViroTech Limited The accounting year-end for ViroTech Limited is 31 December At 31 December 2009 the share capital and reserves of ViroTech Limited were approximately £74,000 (2008 £75,000) The Directors have written down the Group's investment in ViroTech Limited to zero Due to the immaterial size of the joint venture it had been included in the Group accounts as a fixed asset investment

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Non-current				
Other receivables – rent deposit	**145**	160	**–**	–
Current				
Trade receivables	**88**	106	**–**	–
Accrued income	**1,925**	–	**–**	–
Other receivables	**298**	4,394	**–**	–
Other tax receivable	**150**	333	**–**	–
Prepaid clinical trial expensess	**70**	790	**–**	–
Other prepayments	**1,952**	1,522	**2**	3
	4,483	7,145	**2**	3
Total trade and other receivables	**4,628**	7,305	**2**	3

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

At 31 December 2009 and 31 December 2008 none of the trade receivables was aged over three months No receivables were impaired Non-current receivables are not discounted as the impact of discounting would not be material

Accrued income of £1,925,000 in 2009 relates to R&D funding from sanofi-aventis Other receivables in 2008 includes £3,913,000 research and development pass-through expenditure to be reimbursed by sanofi-aventis

Prepaid clinical trial expenses comprise stocks of materials for use in clinical trials and advance payments to clinical trial sites

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

	2009 £000	2008 £000
Sterling	**2,367**	3,046
US Dollar	**2,261**	4,241
Euro	**–**	18
	4,628	7,305

The Company's receivables are all denominated in Sterling

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

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Cash at bank and in hand	**3,802**	3,141	**1**	–
Short term bank deposits	**3,000**	5,000	–	–
Total cash and cash equivalents	**6,802**	8,141	**1**	–

In addition to the cash and cash equivalents described above, the Group held Sterling bank deposits of £18,500,000 (2008 £13,750,000) with an initial term to maturity between three and twelve months classified as available for sale investments None of these deposits is past due or impaired

Cash at bank and in hand includes £4,000 (2008 £33,000) held in escrow for expenses of the TRIST Phase III clinical trial

The Company held no available for sale investments in 2009 or 2008

16 TRADE AND OTHER PAYABLES – CURRENT

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Trade payables	**1,965**	3,298	–	–
Other taxation and social security	**304**	136	–	–
Accruals	**5,400**	7,124	**73**	52
Total trade and other payables	**7,669**	10,558	**73**	52

17 DEFERRED INCOME

Group	**2009 £000**	2008 £000
Current	**4,741**	4,486
Non-current	**9,024**	3,957
Total deferred income	**13,765**	8,443

On 28 April 2009 the Group entered into a new collaborative programme with sanofi-aventis to develop four gene therapy products to treat ocular diseases An initial non-refundable payment of US$26 million (£16,641,000) was received This is being recognised as revenue on a straight line basis over 42 to 51 months (the expected duration of the initial stage of the collaboration for each of the four products) Revenue of £3,110,000 has been recognised under this collaboration in 2009 The remaining £13,531,000 is classified as deferred income £4,665,000 is expected to be recognised as income in the next 12 months and is classified as current the remaining £8,866,000 is classified as non-current

Over the term of the ocular gene therapy collaboration, Oxford BioMedica may recover from sanofi-aventis up to US$24 million in research and development funding Project costs in excess of US$24 million will be borne by Oxford BioMedica £3,114,000 has been recognised as revenue in 2009 and £158,000 has been classified as non-current deferred income

Deferred income at 31 December 2008 was mainly attributable to the TroVax collaboration with sanofi-aventis On termination of this collaboration on 28 April 2009 the remaining deferred balance of £5,717,000 was released in the statement of comprehensive income and has been classified as exceptional revenue (see note 5)

The Company had no deferred income in 2009 or 2008

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18 PROVISIONS

Group	Clinical trial £000	Dilapidations £000	Onerous lease £000	Total £000
At 1 January 2009	–	411	308	**719**
Exchange adjustments	–	–	(27)	**(27)**
Provided in the period	2,202	–	–	**2,202**
Utilised in the period	(1,385)	–	(88)	**(1,473)**
Amortisation of discount	–	5	5	**10**
Change of discount rate – charged in the statement of comprehensive income	–	–	2	**2**
Change of discount rate – adjustment to recognised fixed asset	–	4	–	**4**
At 31 December 2009	**817**	**420**	**200**	1,437
At 1 January 2008	–	371	279	**650**
Exchange adjustments	–	–	82	**82**
Utilised in the year	–	–	(75)	**(75)**
Amortisation of discount	–	11	8	**19**
Change of discount rate – charged in the statement of comprehensive income	–	–	14	**14**
Change of discount rate – adjustment to recognised fixed asset	–	29	–	**29**
At 31 December 2008	**–**	**411**	**308**	**719**

	2009 £000	2008 £000
Current	**898**	88
Non-current	**539**	631
Total provisions	**1,437**	719

The clinical trial provision was established following the FDA review of TroVax development in June 2009 (see note 5) It represents the anticipated costs to complete the TRIST study in renal cancer from the date of the FDA review The TRIST study reached full recruitment (733 patients) in March 2008 Following an interim DSMB review, dosing of patients with TroVax was stopped in July 2008 The close-out of the study was in progress at 31 December 2009 with all sites expected to be closed by 31 March 2010 In light of the relatively short time-line, this provision has not been discounted, as the Directors do not consider the impact would be material

The dilapidations provision relates to anticipated costs of restoring the leasehold property in Oxford, UK to its original condition at the end of the present leases in 2016, discounted at 3 40% per annum (2008 1 59%) The provision will be utilised at the end of the leases if they are not renewed

The onerous lease provision relates to the estimated rental shortfall in respect of a redundant property in San Diego, USA which has been sub-let for the remainder of the lease term until June 2012, discounted at 1 77% per annum (2008 2 23% per annum) The provision will be utilised over the term of the lease

The Company had no provisions at 31 December 2009 or 31 December 2008

19 FINANCIAL INSTRUMENTS

The Group's and Company's financial instruments comprise investments in subsidiaries and joint ventures, 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 relating to risk management

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

	Assets		Liabilities	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Cash and cash equivalents	**6,802**	8,141	**-**	-
Available for sale investments	**18,500**	13,750	**-**	-
Trade receivables and other receivables (see note 14)	**531**	4,660	**-**	-
Trade and other payables excluding tax	**-**	-	**7,365**	10,422
	25,833	26,551	**7,365**	10,422

All the available for sale investments held at 31 December 2009 and 31 December 2008 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

	2009			2008		
	Year end deposits		**Year average**	Year end deposits		Year average
	Weighted average rate	**Weighted average term**	**Weighted average rate**	Weighted average rate	Weighted average term	Weighted average rate
Sterling	**1.45%**	**195 days**	**2.54%**	4 70%	244 days	5 75%
Euro	**0.45%**	**31 days**	**1 58%**	2 87%	33 days	4 45%
US Dollars	**0.43%**	**31 days**	**3 09%**	1 60%	33 days	3 57%

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 2009 or 31 December 2008

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

20 DEFERRED TAXATION

Neither the Company nor the Group had any recognised deferred tax assets or liabilities at 31 December 2009 (2008 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

Group Deferred tax liabilities/(assets) – not recognised	**Accelerated tax depreciation £000**	**Provisions £000**	**Tax losses £000**	**Share options £000**	**Total £000**
At 1 January 2009	3,047	(332)	(22,305)	(47)	**(19,637)**
Origination and reversal of temporary differences	(998)	(4)	(400)	(193)	**(1,595)**
At 31 December 2009	**2,049**	**(336)**	**(22,705)**	**(240)**	**(21,232)**
At 1 January 2008	2,915	(222)	(21,530)	(143)	**(18,980)**
Origination and reversal of temporary differences	132	(110)	(775)	96	**(657)**
At 31 December 2008	**3,047**	**(332)**	**(22,305)**	**(47)**	**(19,637)**

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21 CALLED-UP SHARE CAPITAL

Group and Company Authorised	2009 £000	2008 £000
1,000,000,000 (2008 650,000,000) ordinary shares of 1p each	**10,000**	6,500

Issued and fully paid	2009 £000	2008 £000
Ordinary shares of 1p each		
At 1 January – 537,289,761 (2008 534,655,843) shares	**5,373**	5,347
Subscription by collaborative partner – 2,209,042 shares	**22**	–
Allotted on exercise of share options – 187,025 (2008 264,100) shares	**2**	2
One off share-settled bonus payment – 1,500,000 shares	**15**	–
Allotted for cash in 2008 to licensors of patent rights – 2,369,818 shares	**–**	24
At 31 December – 541,185,828 (2008 537,289,761) shares	**5,412**	5,373

On 4 February 2009 the Company issued 2,209,042 ordinary shares of 1p each in a follow-on subscription of US$250,000 (£172,000) under a collaboration agreement with The Foundation Fighting Blindness through its translational research arm The National Neurovision Research Institute (NNRI) The subscription, supporting the development of StarGen, originated from Paul Manning, a director of the NNRI Costs of £10,000 in respect of this share issue have been charged to the share premium account

Between 28 May 2009 and 16 October 2009 the Company issued 187,025 ordinary shares of 1p each on the exercise of share options under share option schemes for aggregate cash consideration of £15,000 There were no costs in respect of these share issues

On 1 September 2009 the Company allotted 1,500,000 new Ordinary Shares of 1p each to John Dawson, Chief Executive Officer The shares are fully paid, and were a one-off share-based bonus payment for successful achievement of key objectives The value of the shares at the closing mid-market price on 28 August 2009 (the trading day immediately prior to issue), was £173,000 Costs of £5,000 in respect of this share issue have been charged to the share premium account

During 2009 the Company recovered £51,000 of previously disallowed VAT on share issue costs (a 'Fleming' claim)

Subsequent to the year end, on 21 January 2010, the Company issued a further 1,699,876 new ordinary shares in a cash subscription linked to the acquisition of patent rights relating to the RetinoStat programme Between 18 February 2010 and 3 March 2010 173,330 shares were issued on the exercise of share options by employees

22 OPTIONS OVER SHARES OF OXFORD BIOMEDICA PLC

The Company has issued share options under the following schemes
- the Oxford BioMedica 1996 (No 1) Share Option Scheme (closed October 2006)
- the Oxford BioMedica 1996 Share Option Plan (closed October 2006)
- the Oxford BioMedica 2007 Share Option Scheme (approved February 2007)
- the long term incentive plan (LTIP) for Executive Directors and senior executives (approved February 2007)

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

The total number of options over ordinary shares of 1p each that had been granted and had not been exercised or lapsed at 31 December 2009 was as follows

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

2009 Number of shares	2008 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
–	1,033,405	8 75p to 33 0p	14/01/05 to 16/09/05	14/01/09 to 16/09/09
748,895	881,017	7 0p to 19 25p	07/03/06 to 27/10/06	07/03/10 to 27/10/10
2,108,713	2,284,145	16.5p to 23 0p	26/03/07 to 29/11/07	26/03/11 to 29/11/11
2,163,887	3,420,419	20 25p to 43 25p	01/04/08 to 15/12/08	01/04/12 to 15/12/12
1,387,151	1,898,190	28 25p to 31 0p	21/03/09 to 06/09/09	21/03/13 to 06/09/13
6,408,646	9,517,176			

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

2009 Number of shares	2008 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
1,301,091	1,690,230	22 0p to 49 25p	08/03/10 to 14/12/10	08/03/17 to 14/12/17
1,864,421	2,477,453	5 75p to 22.5p	13/03/11 to 13/10/11	13/03/18 to 13/10/18
2,726,789	–	6 10p to 11 25p	25/03/12 to 08/10/12	25/03/19 to 08/10/19
5,892,301	4,167,683			

Options granted under the Oxford BioMedica Long Term Incentive Plan

2009 Number of shares	2008 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
2,754,003	2,754,003	1p	03/04/10	04/04/17
4,140,670	4,140,670	1p	13/03/11	13/03/18
2,875,000	2,875,000	1p	13/10/11	13/10/18
7,296,000	–	1p	25/03/12	25/03/19
17,065,673	9,769,673			

Options granted under the Oxford BioMedica 1996 Share Option Plan

2009 Number of shares	2008 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
–	211,100	31 0p	02/01/05	02/01/09

Options granted under individual contracts

2009 Number of shares	2008 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
3,865,194	4,023,519	43 0p to 51 0p	25/05/02 to 25/06/02	25/05/11 to 25/06/11
–	87,500	29 25p	06/06/07	06/06/16
3,865,194	4,111,019			
33,231,814	27,776,651			

Options granted to UK employees after 5 April 1999 could give rise to a National Insurance (NI) liability on exercise All relevant options granted prior to 7 March 2003 have either been exercised or have lapsed, so there is no NI liability in respect of these options For options granted between 7 March 2003 and 6 September 2006, the Company obtained undertakings from the holders of the relevant options to pay any secondary NI on exercise, so there is no NI liability in respect of these options In respect of options (including LTIP awards) granted on or after 8 March 2007 there are no such employee undertakings, so an NI liability could arise on the exercise of the options A provision of £108,000 (2008 £22,000) 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 11 25p (2008 6 63p) per share

23 SHARE BASED PAYMENTS

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

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

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23 SHARE BASED PAYMENTS continued

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

Options granted to employees at the Group's US subsidiary are generally awarded as a single grant at the time of joining the subsidiary, and have a contractual life of ten years Twenty five percent of the total shares under option become exercisable twelve months after the date of grant, with the remainder becoming exercisable thereafter at the rate of 2 0834 percent per month

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

Options, other than LTIP awards, have been valued using a Black-Scholes option pricing model The LTIP awards, which contain complex market-based conditions, were valued using a Monte Carlo model For each relevant option grant, individual valuation assumptions were assessed based upon conditions at the date of grant The range of assumptions in the calculation of share based payment in 2009 is as follows

Share options	Share options granted 21/03/06 to 06/09/06	Share options granted 08/03/07 to 14/12/07	Share options granted 13/03/08 to 13/10/08	Share options granted 25/03/09 to 08/10/09
Share price at grant date	27 5p to 30.25p	22 0p to 49 25p	6 8p to 23 75p	6 08p to 11 75p
Exercise price	28 25p to 31 0p	22 0p to 49.25p	5 75p to 22 5p	6 10p to 11 25p
Vesting period 1 to 2 years number of options	21,875	-	-	-
Vesting period 2 to 3 years number of options	2,401,023	2,010,309	2,477,453	2,726,789
Total number of shares under option	2,422,898	2,010,309	2,477,453	2,726,789
Expected volatility (weighted average)	63 2%	63 2%	71 2%	75 2%
Expected life (years, weighted average)	5 83	5 70	5 70%	5 77
Risk free rate (weighted average)	4 53%	4 98%	4 33%	2 71%
Expected rate of forfeit before vesting (weighted average)	36 0%	34 6%	28 1%	17 5%
Expectation of meeting performance criteria	100%	N/a	N/a	N/a
Fair value per option	16 7p to 22 2p	13 3p to 30 7p	4 8p to 14 8p	3 9p to 7 9p

LTIP awards	LTIP award 03/04/07	LTIP award 13/03/08	LTIP award 13/10/08	LTIP award 25/03/09
Share price at grant date	48 5p	23 75p	6 80p	6 08p
Exercise price	1 0p	1 0p	1 0p	1 0p
Vesting period (years)	3 00	3 00	3 00	3 00
Total number of shares under option	4,079,495	5,723,852	2,875,000	7,296,000
Expected volatility	57 0%	60 4%	83 6%	60 0%
Expected life (years)	3 00	3 00	3 00	3 00
Risk free rate	5 42%	3 99%	3 91%	2 21%
Expected rate of forfeit before vesting	32 5%	27 7%	0 0%	0 0%
Expectation of meeting performance criteria	66%	74%	85%	74%
Fair value per option	32 9p	16 8p	5 1p	3 9p

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

Excluding the LTIP awards, which are exercisable at par subject to satisfaction of the performance condition, the weighted average share price for options granted during the year was 9 7p (2008 12 4p) The weighted average share price for options exercised during the year was 8 2p (2008 19 8p) The total charge for the year relating to employee share based payment plans was £808,000 (2008 £836,000), all of which related to equity-settled share based payment transactions A reconciliation of movements in all options over the year to 31 December 2009 and an analysis of options outstanding at the year end are shown below

	2009		2008	
Share options excluding LTIP	**Number**	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**18,006,978**	**30 2p**	17,232,259	33 6p
Granted	**2,726,789**	**9.7p**	2,477,453	12 4p
Expired	**(2,987,071)**	**24.7p**	(994,595)	46 1p
Forfeited	**(1,393,530)**	**26.4p**	(444,039)	36 3p
Exercised	**(187,025)**	**8.2p**	(264,100)	19 8p
Outstanding at 31 December	**16,166,141**	**28.3p**	18,006,978	30.2p
Exercisable at 31 December	**6,408,646**	**34.4p**	11,910,118	32.2p
Exercisable and where market price exceeds exercise price at 31 December	**173,330**	**7 0p**	–	N/a

LTIP awards (options exercisable at par value 1p)	**2009 Number**	2008 Number
Outstanding at 1 January	**9,769,673**	4,079,495
Granted	**7,296,000**	8,598,852
Forfeited	**–**	(2,908,674)
Outstanding at 31 December	**17,065,673**	9,769,673
Exercisable at 31 December	–	–

			2009				2008	
	Weighted average exercise price	**Number of shares**	**Weighted average remaining life (years)**		Weighted average exercise price	Number of shares	Weighted average remaining life (years)	
Range of exercise prices			**Expected**	**Contractual**			Expected	Contractual
LTIP Exercisable at par	**1 0p**	**17,065,673**	**1 59**	**1.59**	1 0p	9,769,673	2 10	2 10
Options								
Under 10p	**6 0p**	**1,540,482**	**4 19**	**6.85**	7 3p	2,079,265	2 51	4 59
10p to 20p	**12.4p**	**3,423,993**	**4.20**	**7.74**	14 4p	1,592,940	3 36	6 08
20p to 30p	**24.1p**	**5,057,789**	**1.31**	**3.04**	24 6p	6,643,473	2 39	4 17
30p to 40p	**33.5p**	**1,113,432**	**2.82**	**5.23**	33 2p	2,082,484	3 13	5 11
40p to 50p	**45 3p**	**1,668,411**	**2.19**	**4.41**	45 1p	2,246,782	3 14	5 32
50p to 60p	**51.0p**	**3,362,034**	**1.39**	**1.39**	51 0p	3,362,034	2 39	2 39
Total including LTIP		**33,231,814**				27,776,651		

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

24 SHARE PREMIUM ACCOUNT

Group and Company	2009 £000	2008 £000
At 1 January	**109,686**	109,101
Premium on shares issued in subscription related to a StarGen development collaboration	**150**	–
Premium on shares issued during the year under share option schemes	**13**	50
Premium on shares issued in a share-settled bonus	**158**	–
Premium on shares issued in connection with an intellectual property purchase	**–**	545
Net credit/(charge) for costs associated with issue of shares	**36**	(10)
At 31 December	**110,043**	109,686

25 RETAINED LOSSES

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
At 1 January	**(105,406)**	(96,201)	**(95,557)**	(10,340)
(Loss)/profit for the year	**(3,515)**	(10,041)	**24,057**	(85,217)
Share based payments (note 23)	**808**	836	**–**	–
At 31 December	**(108,113)**	(105,406)	**(71,500)**	(95,557)

Neither the Company nor its subsidiary undertakings had reserves available for distribution at 31 December 2009 or 31 December 2008

26 OTHER RESERVES

Group	Translation reserve £000	Merger reserve £000	Total £000
At 1 January 2009	(692)	14,310	13,618
Exchange adjustments	16	–	16
At 31 December 2009	**(676)**	**14,310**	**13,634**
At 1 January 2008	(625)	14,310	13,685
Exchange adjustments	(67)	–	(67)
At 31 December 2008	**(692)**	**14,310**	**13,618**

The Group merger reserve at 31 December 2009 and 2008 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 2009	13,599	2,521
Credit in relation to employee share schemes	–	808
At 31 December 2009	**13,599**	**3,329**
At 1 January 2008	13,599	1,685
Credit in relation to employee share schemes	–	836
At 31 December 2008	**13,599**	**2,521**

Options over the Company's shares have been awarded to employees of subsidiary companies In accordance with IFRS 2 'Share-based Payment' the expense in respect of these awards is recognised in the subsidiaries' financial statements (see note 23) In accordance with IFRIC 11, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment of £808,000 (2008 £836,000) (see note 13) and a corresponding credit to reserves

27 CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Company	
Reconciliation of loss before tax to net cash generated by/(used in) operations	**2009 £000**	2008 £000	**2009 £000**	2008 £000
Continuing operations				
(Loss)/profit before tax	**(5,094)**	(12,033)	**24,057**	(85,217)
Adjustment for				
Depreciation	**311**	307	**–**	–
Profit on disposal of property, plant and equipment	**(1)**	(10)	**–**	–
Loss on disposal of intangible asset	**78**	–	**–**	–
Charge/(write-back) for impairment	**–**	4,552	**(24,215)**	85,054
Finance income	**(669)**	(1,662)	**–**	–
Finance expense	**33**	24	**–**	–
Charge in relation to employee share schemes	**808**	836	**–**	–
Changes in working capital				
Decrease/(increase) in trade and other receivables	**2,322**	(3,074)	**1**	(1)
(Decrease)/increase in trade and other payables	**(2,937)**	983	**21**	(9)
Increase/(decrease) in deferred income	**5,322**	(10,470)	**–**	–
Increase/(decrease) in provisions	**731**	(63)	**–**	–
Net cash generated/(used in) by operations	**904**	(20,610)	**(136)**	(173)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

28 PENSION COMMITMENTS

The Group operates a defined contribution pension scheme for its Directors and employees The assets of the scheme are held in independently administered funds The pension cost charge of £295,000 (2008 £302,000) represents amounts payable by the Group to the scheme Contributions of £29,000 (2008 £37,000), included in accruals, were payable to the scheme at the year end

29 OPERATING LEASE COMMITMENTS – MINIMUM LEASE PAYMENTS

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

	2009		2008	
Group	**Property £000**	**Plant and equipment £000**	Property £000	Plant and equipment £000
Not later than one year	**1,165**	**12**	1,214	13
Later than one year and not later than five years	**2,868**	**19**	2,233	31
Later than five years	**781**	**–**	–	–
Total lease commitments	**4,814**	**31**	3,447	44
Total future minimum sublease payments receivable	**1,183**	**–**	1,797	–

The Group leases equipment under non-cancellable operating lease agreements The Group also leases its laboratories and offices under non-cancellable operating lease agreements The leases have various terms, escalation clauses and renewal rights The figures for property leases include a redundant building in San Diego, USA which has been sub-let A provision of £200,000 (2008 £308,000) has been made for the expected rental shortfall under this lease (see note 18)

The Company had no operating lease commitments during the year (2008 none)

30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The receipt in 2009 of the initial fee of US$26 million (£16,641,000) from sanofi-aventis under the ocular collaboration triggered royalty liabilities to a number of third party patent licensors, which are accounted for as cost of sales in the financial statements Each of the four ocular products is covered by more than one third party patent licence The patent licence agreements are complex, and they incorporate 'royalty-stacking' clauses which limit the Group's overall cost where there are royalty obligations to more than one licensor One licensor, whose patent is relevant to two of the four ocular products, was paid a royalty of US$368,000 (£220,000) in 2009 The licensor has challenged Oxford BioMedica's interpretation of the royalty stacking clause in their licence, and has sought to increase the royalty payable to them to US$3,315,000 The potential increase in the amount payable if the licensor's view was to prevail would be US$2,947,000 (£1,823,000) Oxford BioMedica has taken advice from a number of sources, including counsel who originally represented the licensor in negotiating the patent licence agreement in 2003 Following its review, Oxford BioMedica is confident that the correct amount of royalty has been paid, and that there is no further liability in connection with this matter There were no other contingent liabilities at 31 December 2009 or at 31 December 2008

The Group had commitments of £77,000 for capital expenditure for leasehold improvements, plant and equipment not provided in the financial statements at 31 December 2009 (2008 £49,000)

31 RELATED PARTY TRANSACTIONS

Identity of related parties
The Group consists of a parent, Oxford BioMedica plc, two wholly-owned trading subsidiaries and one subsidiary (Oxxon Therapeutics Limited) which was acquired and became dormant in 2007 when its assets and trade were transferred to the principal trading company Oxford BioMedica (UK) Limited The second trading subsidiary 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	2009 £000	2008 £000
Purchases		
Parent Company expenses paid by subsidiary	**(100)**	(183)
Transactions involving Parent Company shares:		
Proceeds of Parent Company share issues received by subsidiary	**345**	569
Proceeds of subsidiary employee share sales received by parent	**(3)**	(2)
Cash management		
Cash loaned by parent to subsidiary	**17**	54

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	2009 £000	2008 £000
Loan to subsidiary	**110,420**	110,161

In addition to the transactions above, options over the Company's shares have been awarded to employees of subsidiary companies In accordance with IFRIC 11, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in a cumulative increase in the cost of investment of £3,329,000 (2008 £2,521,000)

There were no transactions (2008 none) with Oxxon Therapeutics Limited or with the dormant joint venture ViroTech Limited

Transactions with Directors and connected persons
On 1 July 2009, when Professor Alan Kingsman's position as Chairman became non-executive, he entered into a consultancy agreement with the Group Fees of £37,500 were paid under this agreement in 2009

On 1 July 2008, when Professor Susan Kingsman retired from the Board, she entered into a consultancy agreement with the Group Fees of £50,000 (2008 £25,000) were paid under this agreement

A close family member of Andrew Wood was employed by the Group up to 31 December 2009 and was paid at market rate Total compensation cost, comprising salary, bonus, national insurance and pension was £73,000 (2008 £66,000) In addition a termination payment of £30,000 was paid

Appendix
Technology and Product Glossary

LENTIVECTOR®

Our LentiVector technology is an advanced lentiviral-based gene delivery system, which is designed to overcome the safety and delivery problems associated with earlier generations of viral vectors It 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 It 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 our LentiVector system 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 dopamine factories, 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 our LentiVector system 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 our LentiVector system to deliver a corrected version of the ABCR gene A single administration of the product directly to the retina could provide long-term or potentially permanent correction

UshStat™: Usher syndrome 1B
Usher syndrome is a leading cause of deaf-blindness One of the most common subtypes is Usher syndrome 1B, which is associated with a mutation of the gene encoding Myosin VIIA (MYO7A) This leads to progressive retinitis pigmentosa combined with a congenital hearing defect UshStat uses our LentiVector technology to deliver a corrected version of the MYO7A gene to retinal cells and a single administration could provide long-term or potentially permanent stabilisation of ocular function

EncorStat®: 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 our LentiVector system to deliver endostatin and angiostatin *ex vivo* to corneas prior to grafting In order to block vascularisation and to prevent graft rejection

MoNuDin® motor neuron disease
MoNuDin is a gene-based treatment for motor neuron disease This progressive, usually fatal, neurodegenerative disease is caused by the degeneration of motor neurons, the nerve cells in the central nervous system that control voluntary muscle movement MoNuDin uses our LentiVector system to deliver a neuroprotective gene, vascular endothelial growth factor (VEGF), to prevent further degeneration of the motor neurons and potentially restore motor function

5T4 TUMOUR ANTIGEN

The 5T4 protein is strongly expressed on many types of cancer and studies suggest that its presence correlates with metastatic spread and poor clinical outcome It 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®: cancer
TroVax is a therapeutic vaccine that stimulates the immune system to destroy cancerous cells expressing the 5T4 tumour antigen The product is based on an attenuated vaccinia virus called Modified Vaccinia Ankara (MVA), which has been engineered to deliver the 5T4 antigen Vaccinia viruses are commonly used as delivery systems for the development of antigen-specific vaccines MVA is the vaccinia strain of choice because of its excellent safety profile

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

ANTI-ANGIOGENESIS

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

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

HI-8® PRIMEBOOST

Heterologous prime-boost immunotherapy involves priming the immune system to a target antigen using one delivery system and then boosting the response by administration of the antigen in a different vector This strategy can stimulate greater levels of immunity, particularly cellular immune responses Oxford BioMedica's Hi-8 PrimeBoost vector combination can stimulate potentially potent and specific cellular immune responses against diseased cells, even those expressing very low levels of the antigen

Hi-8® MEL melanoma
Hi-8 MEL is a therapeutic vaccine for metastatic melanoma The product employs two different vector systems, comprising plasmid DNA and MVA respectively, to induce a melanoma-specific cellular immune response Both vectors contain the Mel3 polyepitope string, which encodes seven defined peptides from five different melanoma-specific antigens

GDEPT

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

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

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ckd

Design & production
www.ckdcorp.co.uk

Corporate photography
www.benrice.com

Print
www.thecolourhouse.com

Mixed Sources
FSC

Printed on Revive 50.50 This paper comes from sustainable forests and is fully recyclable and biodegradable Made from 25% post-consumer waste 25% pre-consumer waste and 50% virgin wood fibre The paper mill and the printer are accredited with the ISO 14001 environmental management standard
The printer is also carbon neutral

Oxford BioMedica

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