OxfordBioMedica

Discover. Realise.

It's working

Annual Report and Accounts 2014

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

Our vision is being realised, our mission is clear
Gene and cell therapy has the potential to transform medicine, providing curative and long lasting treatment options for a wide range of diseases. The first gene therapy product is set for launch in a developed market with more to follow. There has never been a more exciting time in the field.

At Oxford BioMedica, our mission is to build a valuable, profitable biopharmaceutical company for our shareholders through the successful development and commercialisation of breakthrough gene and cell-based medicines that improve the lives of patients.

Our company
Oxford BioMedica was founded in 1996, in the field of gene therapy. Today, we have built a platform of exclusive, cutting-edge technologies and capabilities with which we design, develop and manufacture unique gene and cell-based medicines that have unrivalled potential to treat and potentially cure disease.

As a business, we license our intellectual property (IP) and provide manufacturing expertise to industry partners, providing us with a valuable revenue stream to help support our own product development activities. Following a major license and manufacturing agreement with Novartis in 2014, we are positioned as the go-to partner for lentiviral vector process development and manufacture in the industry. Meanwhile, our current product pipeline addresses ocular diseases, neurodegenerative disorders and a range of cancers, for which there are either no treatments or where therapy remains inadequate. And to sustain our growth, we are continuously looking for new product opportunities in our quest for better medicines.

As gene and cell therapy comes of age, we remain a leader in an expanding and increasingly exciting field. We are delivering on the tremendous potential for improved, potentially curative treatments. These treatments and medicines promise to transform the quality and extend the lives of patients with debilitating and sometimes life-threatening diseases.

We have an enviable Intellectual Property (IP) position

Further technology out-licensing will provide more revenue generating opportunities in the expanding gene and cell therapy field. In 2014 we signed our second contract with Novartis, including a major licensing agreement.

See how the sector is gaining momentum on page 12

We are delivering on a valuable pipeline

Our pipeline remains our greatest value creation opportunity and we are continuing to progress our portfolio of breakthrough medicines.

See our pipeline progress on page 14

We are generating revenue from manufacturing capabilities

Our investment in building our OXB Solutions process development and manufacturing business is being rewarded, as further revenues from demand for our expertise from the biopharmaceutical industry can offset the Group's cash burn.

See details of our contract to manufacture of batches of CTL019 lentiviral vector for Novartis in the 'How our technology works' section on page 10

Operational highlights
Our investment proposition continues to strengthen

Technology and manufacturing capability is validated
— Major new licensing and manufacturing contract with Novartis worth up to $90 million over the next three years and the potential for future licensing royalty opportunities

Revenues increased
— Licensing revenues of £5.1 million (2013: £1.0 million) including £4.8 million from Novartis upfront payments under the deal announced in October 2014

— Manufacturing revenue of £7.7 million (2013: £2.6 million) from the provision of manufacturing and process development services to third parties, primarily for process development activities for Novartis

— R&D collaboration revenue of £0.8 million (2013: £1.7 million) representing residual revenue under the 2009 Sanofi agreement

— Up to $76 million over the next 3 years in revenues from process development and manufacturing for Novartis

Pipeline advanced
— Four clinical programmes in active development and two other products being readied for Phase I/II

— £2.2 million grant from the Technology Strategy Board (now Innovate UK) to fund a Phase I/II clinical trial of OXB-102 in Parkinson's disease patients commencing in early 2016

— Sanofi was granted global rights to StarGen™ and UshStat® across all ocular indications; Oxford BioMedica is entitled to development and commercialisation milestone payments and royalties

— RetinoStat® recruitment completed in Phase I trial study which will report in 2015

— New CAR-T 5T4 programme initiated in-house, combining both of our LentiVector® and 5T4 technology platforms

Balance sheet strengthened
— Completed a successful fundraising in June which contributed net proceeds of £20.1 million

Key financial performance indicators

£13.6m

Total revenues
Total revenues of £13.6 million (excluding grants) in 2014 (2013: £5.4 million)

£7.7m

Profit-generating revenues [1]
Total revenues include sustainable profit-generating revenues of £7.7 million (2013: £2.6 million)

[1]Revenues from the provision of manufacturing and process development services to third parties

£7.4m

Cash used in operations
Cash used in operations, before capital expenditure £7.4 million (2013: £13.0 million)

£11.6m

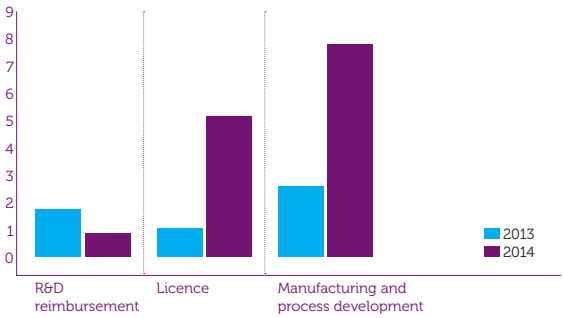
Cash burn
Cash burn (net cash used in/generated from operations plus sales and purchases of non-current assets and interest received) £11.6 million in 2014 (2013: £11.9 million)

£14.2m

Cash balance
£14.2 million cash balance at end 2014 (£2.2 million at the start of the year)

134 people

Headcount
Headcount increased to 134 employees at year end (106 at the start of the year) to support manufacturing revenue generation



Revenues 2014 versus 2013
£m

It's working... Creating many new possiblities

Intellectual property (IP)

As a pioneer in the field, our dedication and commitment to advancing the science of gene and cell therapy, and in particular our LentiVector® technology, is creating a wealth of new possibilities and revenue streams as we license our intellectual property to industry partners. In 2014, this resulted in a major licensing deal with Novartis.

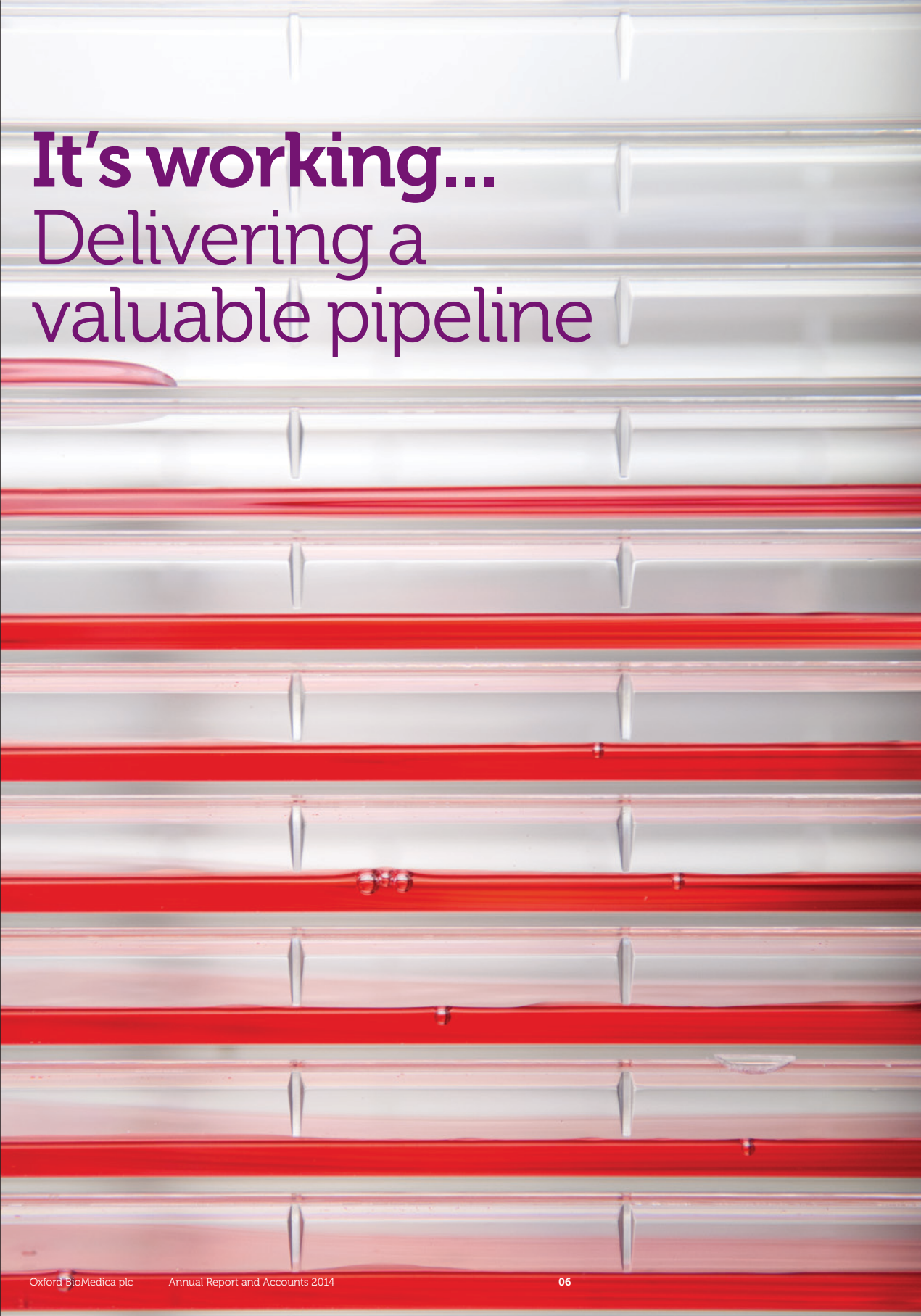
We continue to build our IP portfolio so we can remain at the fore-front of the field. This extends to innovation in the biomanufacturing arena and also new therapeutic applications as we initiate new R&D programmes in-house.

Read more about our intellectual property and technology licensing in the 2014 performance section on page 32

Access to our IP portfolio
Novartis acquired a non-exclusive worldwide development and commercialisation licence in oncology under the Group's existing LentiVector® platform

Seeing potential from manufacturing innovation
Importantly, we retain the rights to any new know-how that we develop under the process development collaboration with Novartis, meaning that we can exploit it commercially in the future. In return, Novartis was granted an exclusive licence to any arising IP for the worldwide development and commercialisation of all Chimeric Antigen Receptor (CAR) T-cell products

It's working... Delivering a valuable pipeline



Product development

Together with others who share our vision, we are creating a future where gene and cell therapy become commonplace in treating disease.

Our current clinical pipeline is targeting Parkinson's disease, selected cancers and a number of serious eye diseases. Success in any one of these difficult-to-treat diseases promises substantial rewards for patients, our partners and shareholders alike. We are pleased with the progress we are making, but this is just the beginning as we initiate new R&D programmes in other areas of high unmet medical need seeking to create and increase shareholder value.

See our product pipeline, the indications they are targeting and their development stages on page 14

For a description of what our products do, see the glossary on page 109

LentiVector® platform products targeting unmet healthcare needs
Our gene therapy platform can be used to introduce genes directly into the body, both safely and stably. The eye is particularly amenable to this approach, and StarGen™, UshStat® and RetinoStat® are three products in clinical development for selected ocular diseases. The technology can also be used *ex vivo* to treat cells and other tissues prior to introduction back into the body. We have programmes that help to prevent cornea rejection upon grafting, and also to prime T-cells to detect cancer

5T4 platform products targeting cancer
A number of R&D programmes are being developed, both in-house and through partners, that utilise a novel protein called 5T4 found only on cancer cells. We have a cancer vaccine called TroVax® and a CAR-T product in development that both attempt, in different ways, to alert the immune system to the 5T4 protein so that it recognises it as foreign and destroys the cancer cells

It's working...
To mutual advantage

Manufacturing

Our investment in building biomanufacturing capability in-house is enabling both us and our industry partners to advance valuable gene and cell therapy products to the market.

The manufacturing deal with Novartis in 2014 is a strong endorsement of our expertise and our ability to deliver on complex development and manufacturing opportunities.

See how our manufacturing capability is helping us build a self-sustaining business on page 18

Download a copy of our manufacturing capability brochure from the OXB Solutions website: www.oxbsolutions.com

Further investment in our manufacturing capability and capacity
These supply revenues, which include the $4.3 million equity and $9.7 million upfront cash received under the Novartis contract signed in 2014, will enable us to further expand our in-house capability and capacity, thereby allowing us to better exploit our leading position to develop and manufacture our own gene and cell therapy products in the future

Working with Novartis to deliver a new treatment for children with leukaemia
CTL019 is an investigational therapy being developed by Novartis to treat relapsed/refractory leukaemias and lymphomas. We have been contracted by Novartis, over a three year period, to manufacture lentiviral vectors expressing CTL019/CART-19 for its clinical trials with a potential value up to $90 million in revenues for Oxford BioMedica. We will also be collaborating with Novartis to identify and develop improved manufacturing processes for CTL019 to allow greater volumes and yields to be produced

How our technology works...

Open to learn more about gene and cell therapy

Delivering the future of medicine

Gene and cell therapy is at the forefront of medical science and has the potential to transform the treatment of some of the most challenging diseases. Gene and cell therapy is the treatment of disease by delivering therapeutic DNA into a patient's cells either in the body (*in vivo*) or outside the body (*ex vivo*). The new DNA can be used to replace or correct a faulty gene, or to encode a therapeutic protein as a treatment. The approach offers the prospect of long-term and possibly permanent treatment or cure for many common and rare diseases which currently have poor treatment options.

Oxford BioMedica has a dominant position in the lentiviral vector gene therapy field

Lentiviral vectors have approximately twice the capacity for delivering genetic payloads as compared with adeno-associated viruses (AAV).

Lentiviral vectors are the vector of choice for cell therapy as AAV cannot be used in dividing cells, making them less suited for cell therapy approaches.

The application of gene therapy to the field of cell therapy is creating a lot of excitement following impressive clinical results of Novartis' CTL019 product.

How our technology works

Vectors are targeted and specific

Therapeutic DNA is introduced into the target tissue using viral based vectors: these are viruses which have been modified so they are safe and can carry the required DNA/genetic payload into the target cell, either *in vivo* or *ex vivo*.

The most commonly used vectors in gene therapy are those based on either adeno-associated viruses (AAV) or lentiviruses. Lentiviral based vectors such as our LentiVector® platform have several advantages over AAV based vectors - they can carry a larger therapeutic genetic payload, and they can stably modify both dividing and non-dividing cells, making them suitable for use in cell therapy. Also, unlike AAV, there is no pre-existing immune response.

Gene therapy strategies

There are several gene therapy approaches in development. One of the most common involves administering healthy genes to patients who have inherited a faulty copy of a gene. For example, StarGen™ inserts the healthy ABCR gene into the retina of patients with Stargardt disease and, similarly, UshStat® delivers a healthy MYO7A gene to treat patients with Usher syndrome type 1B. Conversely, gene therapy can be used to inactivate, or "knock out", a gene that is functioning improperly (gene silencing).

Gene therapy also provides us with the ability to introduce one or more genes into cells to help modulate the body's response to disease. For example to treat Parkinson's disease a lentiviral vector (e.g. ProSavin® or OXB-102) delivering three genes can be used to stably modify neuronal cells to turn them into endogenous factories making dopamine; this is the neurotransmitter that is required to treat this disease. The benefit of gene therapy is that a number of genes can be delivered to work together in combination over a sustained period of time unlike most drugs which require frequent administration, typically daily.

Cell therapy applications for gene therapy

Cell therapy usually involves the modification of cells in some way. These cells are then used as therapeutic agents to treat or prevent disease through their introduction back into the body. One of the main ways to modify the cells is through gene therapy and a successful cell therapy approach at present is the use of CAR-T as explained below.

CAR-T technology explained

Chimeric antigen receptors (CARs), also known as artificial T-cell receptors are genetically engineered receptors which graft a new specificity onto an immune effector cell. Typically, these receptors are used to graft the specificity of a monoclonal antibody onto a T-cell; normally carried out by a lentiviral vector. CAR T-cells are under investigation as a therapy for cancer, using a technique called adoptive cell transfer in which T-cells are removed from a patient and modified so that they express receptors specific to the particular form of cancer. The T-cells are reintroduced into the patient with the ability to recognise and kill the targeted cancer cells. In addition these CAR T-cells proliferate, thus amplifying the beneficial response. This is a very powerful therapy and has led to dramatic response rates.

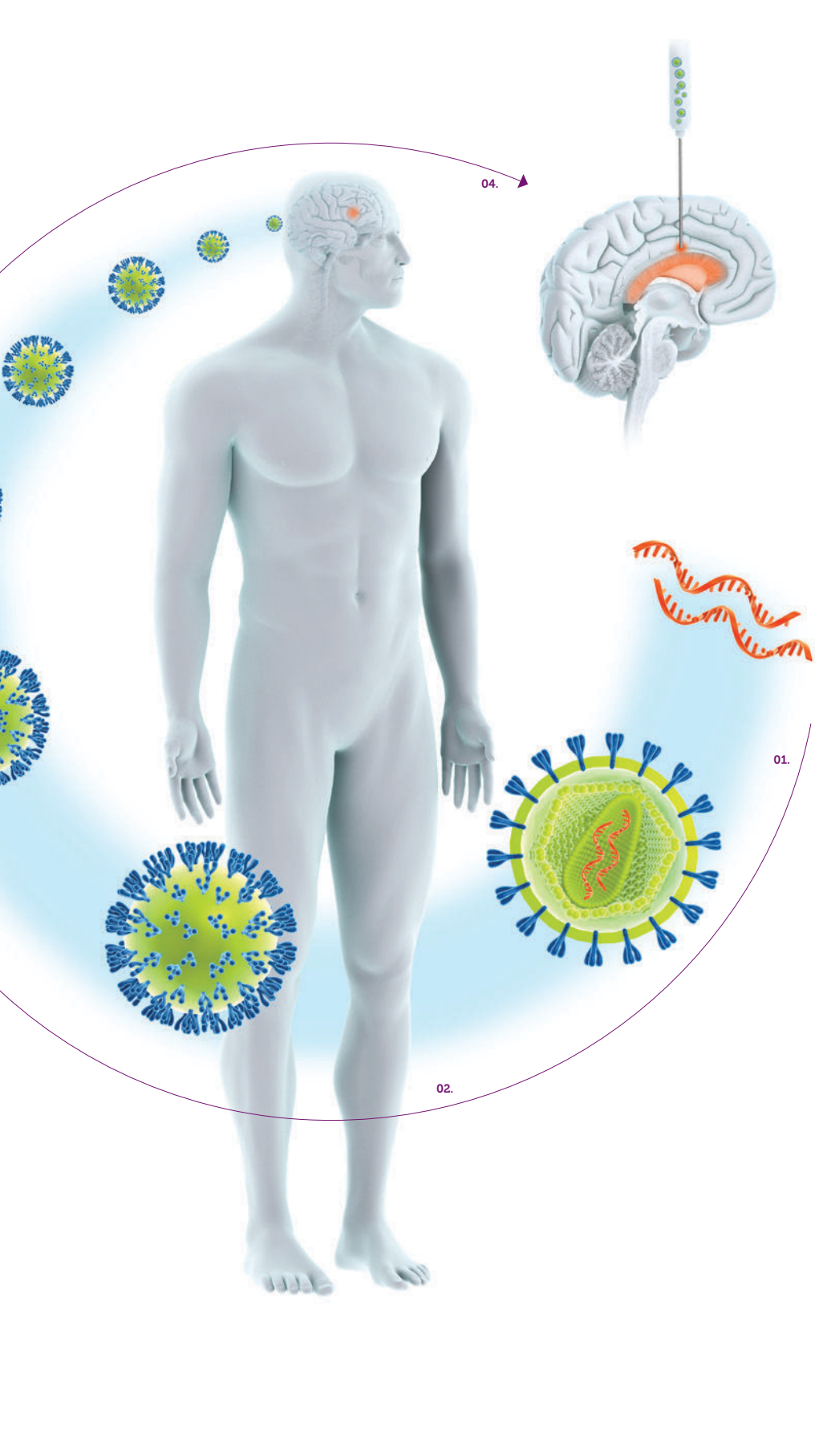
Example 1:
ProSavin®/OXB-102 treatment for Parkinson's disease

01. Therapeutic gene expression cassette
The therapeutic genes that need to be delivered to the target cell to treat the disease are engineered into the vector genome. In the case of ProSavin® and OXB-102 three genes need to be delivered to the cells in the brain region that is low in dopamine

02. Making a safe vector from a virus
To make a safe vector system the viral genes are removed; this also creates space for the therapeutic vector payload

03. Lentiviral vector generation
High quality Lentiviral vector product is manufactured under GMP conditions at large scale suitable for use in the clinic

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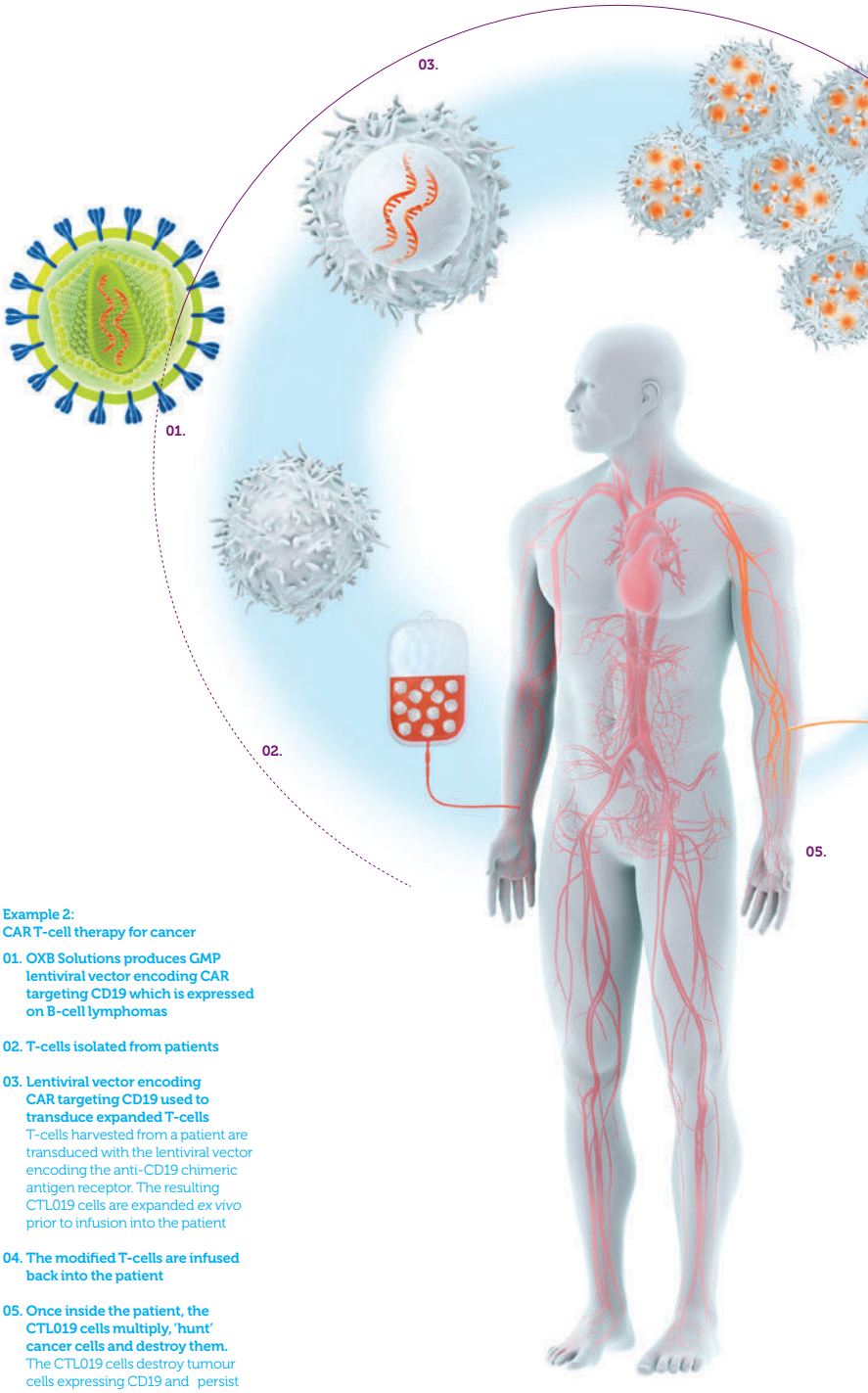


Example 2:
CAR T-cell therapy for cancer

01. OXB Solutions produces GMP lentiviral vector encoding CAR targeting CD19 which is expressed on B-cell lymphomas

02. T-cells isolated from patients

03. Lentiviral vector encoding CAR targeting CD19 used to transduce expanded T-cells
T-cells harvested from a patient are transduced with the lentiviral vector encoding the anti-CD19 chimeric antigen receptor. The resulting CTL019 cells are expanded *ex vivo* prior to infusion into the patient

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

05. Once inside the patient, the CTL019 cells multiply, 'hunt' cancer cells and destroy them.
The CTL019 cells destroy tumour cells expressing CD19 and persist in the body to guard against residual or recurring disease

...and how it works for our partners

Novartis agreement for CTL019 and CAR-T technology
In October 2014, we signed an expanded licensing and manufacturing agreement with Novartis covering CTL019 and other CAR-T products.

CTL019 is an investigational therapy being developed by Novartis to treat relapsed/refractory leukaemias and lymphomas. The therapy is based on CAR-T technology which it licensed from the University of Pennsylvania . Preliminary results from two pilot clinical trials have been published in The New England Journal of Medicine (NEJM) evaluating the efficacy and safety of CTL019 in patients with relapsed/refractory acute lymphoblastic leukemia (r/r ALL). The studies demonstrated that 27 of 30 pediatric and adult patients, or 90%, experienced complete remissions with the investigational chimeric antigen receptor (CAR) therapy CTL019. The product has been granted Breakthrough Therapy designation by the US FDA. Novartis expects to start Phase II clinical trials in pediatric relapsed/refractory acute lymphoblastic leukemia during the first half of 2015.

Oxford BioMedica's role in product supply
Oxford BioMedica signed an initial contract with Novartis for CTL019 in May 2013 and our performance under this contract led to the signing of this expanded agreement in October 2014. Under the terms of this agreement:

- Novartis has been granted a non-exclusive licence to Oxford BioMedica's lentiviral vector platform IP in oncology
- There is a process development collaboration under which arising IP is owned by Oxford BioMedica, and Novartis has an exclusive licence to arising IP as it relates to CAR-T-cell products
- Under an initial three year manufacturing contract Oxford BioMedica will supply lentiviral vector for the Novartis CTL019 programme, with the potential to extend.

Financial terms included:
- $4.3 million equity investment on signing the agreement
- The consideration for the IP licence was $9.7 million non-refundable upfronts, and undisclosed royalties on CTL019 and other CAR-T products
- Potential payments of up to $76 million over 3 years for manufacturing and process development

Gene therapy is becoming a reality after years of promise...

Open to learn more about the gene and cell therapy market in 2014

Gene therapy has come of age

Gene and cell therapy has progressed from a vision to a reality in the last five years. Inevitably such a fundamental new technology has taken time to evolve and safety concerns have been paramount. However, Glybera (UniQure) became the first-ever gene therapy drug approved in a developed market in 2012 and its launch is imminent; regulatory guidance is being established worldwide; and industry valuations have started to demand the attention of investors. It is estimated that $3.0 billion was raised in total, by both private and public companies involved in gene and gene modified cell therapy in 2014. This is a staggering 510% increase over 2013 ($491 million).

We remain a market leader

Oxford BioMedica is an established pioneer in the field and we continue to break new ground both in R&D and manufacturing. Our ambition and resolve to be a market leader is stronger than ever and our IP in lentiviral vector technology puts us in a commanding position. We are investing to increase our lentiviral vector GMP manufacturing capability as we expect demand to increase substantially over the next few years as more products move from the clinic to the market.

$3bn

Investment in gene and cell therapy
It is estimated that $3.0 billion was raised in total by both private and public companies involved in gene and gene modified cell therapy in 2014

510%

Investment increase
The money raised is a 510% increase over 2013 ($491 million)

Lentiviral vectors and cell therapy

There are two main approaches to gene therapy vector delivery: lentivirus and AAV. Lentiviral vectors have the advantages that:

— They can deliver approximately twice the capacity for delivering genetic payloads as compared with AAV

— They can be used to target dividing cells, unlike AAV, making lentiviral vectors the vector of choice for cell therapy

— No pre-existing immune response, unlike AAV

There are over 200 clinical trials ongoing involving AAV and lentiviral gene therapy products in a wide range of indications.

Leading gene and cell therapy deals in 2014 (ranked on headline value)

Technology provider	Partner	Deal type	Headline deal value
Cellectis	Pfizer	R&D collaboration in immunotherapy	Up to $2.8bn in upfronts and milestones based on product options
Avalanche	Regeneron	R&D collaboration in ocular	Up to $640 million in upfront and milestones
Adaptimmune	GSK	R&D collaboration in cell therapies	Up to $350 million in milestones based on product options
Sangamo	Biogen Idec	R&D collaboration for haematological malignancies	Up to $340 million in upfront and milestones
Capricor	Jansen Biotech	R&D collaboration for cardiovascular	Up to $338 million in upfront and milestones
Oxford BioMedica	Novartis	Licensing and manufacturing agreement	Up to $90 million in upfront and milestones, in addition to royalties

Gene and cell therapy breakthrough moments...

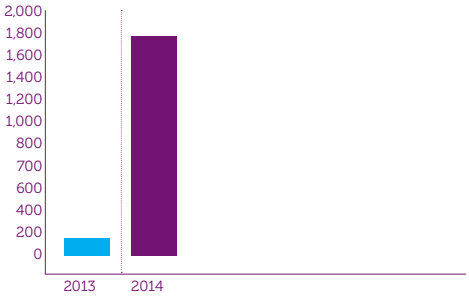
Glybera was the first ever gene therapy product to be approved in the EU
Glybera was approved in Europe in 2012 for the treatment of lipoprotein lipase deficiency. This made it the first gene therapy product ever to be approved in a developed market, and its launch is expected in the first half of 2015. This has paved the way for increased investment and interest in the field.

Novartis' CTL019 cell therapy (CAR-T) product producing astounding results in a pilot study in leukemia
The application of gene therapy to the field of cell therapy is creating a lot of excitement following the strong clinical results of Novartis' CTL019.

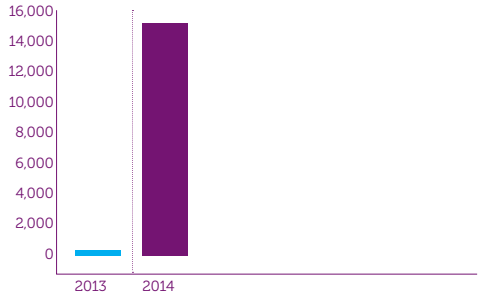
Gene therapies at a glance

206 clinical trials
105 unique products
1 now approved

2014 was an unprecedented year for public fundraisings in the field

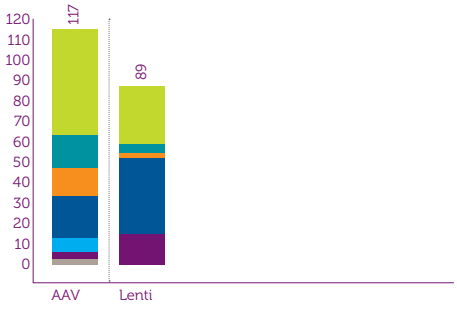


Public market fundraisings in US ($m)



Market valuations in US ($m)

A wide range of products are in development



Total number of clinical trials

- Monogenic
- Ocular
- Neurological
- Cancer (including leukemia)
- Cardiovascular
- Infectious
- Inflamatory

Source: The Journal of Gene Medicine as of June 2014

Product pipeline

Technology platform	Product
LentiVector® Ophthalmology	**RetinoStat®** Gene-based treatment for neovascular "wet" age-related macular degeneration (AMD) which aims to preserve and improve vision
	StarGen™ Gene-based treatment for Stargardt disease, which delivers a healthy version of the ABCR gene to address vision loss
	UshStat® Gene-based treatment for the treatment of Usher syndrome type 1B. The disease leads to progressive retinitis pigmentosa combined with a congenital hearing defect
	EncorStat® Gene-based treatment for the prevention of corneal graft rejection
	Glaucoma-GT Gene-based treatment for chronic glaucoma which aims to provide long-term control of intraocular pressure to minimise the risk of vision loss
LentiVector® Central Nervous System	**ProSavin®/OXB-102** Gene-based treatment for Parkinson's disease which converts cells into a dopamine "factory", thus replacing the patient's own lost source of dopamine
	MoNuDin® Gene-based treatment for motor neuron disease used to prevent further degeneration of the motor neurons and potentially restore motor function
LentiVector® Multiple	**New opportunities**
5T4 Antigen Cancer	**TroVax®** A therapeutic vaccine that stimulates the immune system to destroy cancerous cells expressing the 5T4 tumour antigen which is present on most solid tumours
	Anti-5T4 antibody A 5T4-targeted antibody-drug conjugate (ADC) which binds to 5T4 on the surface of cancerous cells. Once bound, the complex is internalised by the tumour cell, the anti-cancer agent is released from the antibody, and the free drug kills the cancerous cell
CAR-T 5T4®	**CAR-T 5T4** Combination of our LentiVector® and 5T4 platform

More information on how our gene therapy products are progressing in our progress against strategy report on page 28

To find out more about our products visit: www.oxfordbiomedica.com/products

For a brief description of each product see the glossary on page 109

Indication	Stage of development
"Wet" age-related macular degeneration	Phase I trial completed
Stargardt disease	Phase I/IIa trial ongoing *Licensed to Sanofi*
Usher syndrome type 1B	Phase I/IIa trial ongoing *Licensed to Sanofi*
Corneal graft rejection	Phase I/II trial preparation
Chronic glaucoma	Pre-clinical
Parkinson's disease	ProSavin® Phase I/II trial completed OXB-102 Phase I/II trial preparation
Motor neuron disease	Pre-clinical
Various	Research concepts
Colorectal cancer, ovarian cancer, mesothelioma	Phase II trials ongoing
Cancer multiple	Phase I trial ongoing *Licensed to Pfizer*
Cancer multiple	Research

Management team

01. John Dawson

Chief Executive Officer
John joined Oxford BioMedica's Board as a non-Executive Director in August 2008 and was appointed Chief Executive Officer on 13 October 2008. From 1996 to 2007, John held senior management positions in the European operations of Cephalon Inc. John chairs the fortnightly Senior Executive Team meetings and attends the monthly meetings of the key sub-committees covering Technical Development, Product Development and Manufacturing operations.

02. Tim Watts

Chief Financial Officer
Tim was appointed to the Board as Chief Financial Officer and Company Secretary in February 2012. He is a chartered accountant with over 30 years' experience in leading multinational and entrepreneurial businesses. Tim's responsibilities include Investor Relations, Human Resources and Information Technology.

03. Peter Nolan

Chief Business Officer
Peter was appointed to Oxford BioMedica's Board in May 2002, having been a senior member of the Company since its foundation. Peter's responsibilities in the Group are Intellectual Property, Business Development, Quality, Health & Safety, and Facilities.

04. Paul Blake

Chief Development Officer
Paul was appointed to Oxford BioMedica's Board in January 2010. He was appointed as Chief Development Officer on 1 September 2014 with responsibility for the clinical development of Oxford BioMedica's pipeline of gene and cell therapies. Paul has over 30 years' international pharmaceutical/biotech experience. From 2006 –2014 he was Senior Vice President and Chief Medical Officer of ÆternaZentaris Inc., a global biopharmaceutical company focused on oncology and endocrine therapy. Paul chairs the Product Development Committee which meets monthly.

01. 02.

03. 04.

05. Kyriacos Mitrophanous

Chief Scientific Officer

Over 18 years of experience in the development of clinically relevant lentiviral vector based medicines, platform technology, production and analytics. Kyriacos has overall responsible for the new product development activities as well as analytical and LentiVector® platform. Kyriacos is also responsible for co-leadership of all the technical aspects of the alliance management of the collaborative programmes. Kyriacos is a named inventor on several patents in the field.

06. James Miskin

Chief Technology Officer

James has over 14 years of experience in GxP assay development, routine testing, lentiviral based vector manufacturing development and cGMP manufacturing. In his current role he has overall responsibility for all manufacturing and supply activities, as well as manufacturing development. James is also responsible for co-leadership of all the technical aspects of the alliance management of the collaborative programmes. James is a named inventor on several patents in the field.

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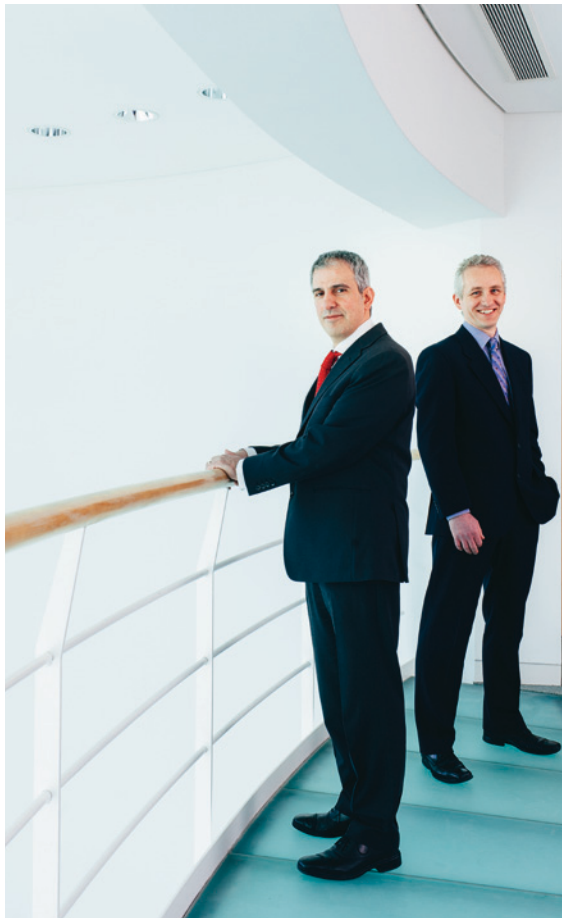


Determination, commitment, expertise – the cause demands nothing less.
Our management team is proven in the lifesciences industry. Our depth of talent and combination of skills and team ethic are allowing us to build a robust biopharmaceutical business. At Oxford BioMedica, we are proud to be pioneers in pushing the boundaries of medical science

Our business model

Oxford BioMedica continues to break new ground
As pioneers in gene therapy, a field with unlimited potential, it was our firm belief that the application of our expertise in areas of high unmet medical need would win the day. And that belief remains as valid today as when the Company was first founded in 1996. Our business model, combining out-licensing of our IP and technology, providing development and manufacturing services, and our pipeline development, has been developed to address the needs of all our stakeholders.

A full-capability, self-sustaining biopharmaceutical business
Our business has evolved from being predominantly science and research, to a more commercially driven organisation. We are working to achieve a balanced business model, in which we can self-fund our operational overheads and, potentially, the development of some of our in-house product pipeline. Our in-house capabilities cover the entire product development lifecycle; we have in-house research and discovery, pre-clinical and clinical development teams, a specialist GMP manufacturing centre of excellence, an IP function and an experienced regulatory team.

Our strategy is to target diseases where gene and cell therapy can deliver major advances on current therapy and potentially even prove curative. As we generate increasing revenues over time, the intention is to develop our products through the later stages of drug development, and potentially, to market ourselves to retain the maximum economic value. With this objective in mind, Oxford BioMedica has started to develop in-house the capability and capacity to deliver this long-term but achievable goal.

Research/IP
Sustained investment in our technology platform has allowed us to develop a robust IP position, which underpins every aspect of our business. It has also allowed us to generate important revenues to help fund our investments, by licensing our IP to other companies in the industry. As the gene and cell therapy field continues to expand, we expect to generate further revenues from additional licensing deals in the future.

We have recently initiated a number of new pre-clinical research programmes to generate the next wave of product candidates for clinical development. It is also our intention to broaden our technology base so that we remain at the forefront of the field and can generate additional and complementary pipeline opportunities.

Development pipeline
The investment in our technology platform has allowed us to develop a potentially high-value product pipeline and attract high-quality industry partners. In an industry where product development takes 10 years on average, and brings high risks and high rewards, we recognise the need to:

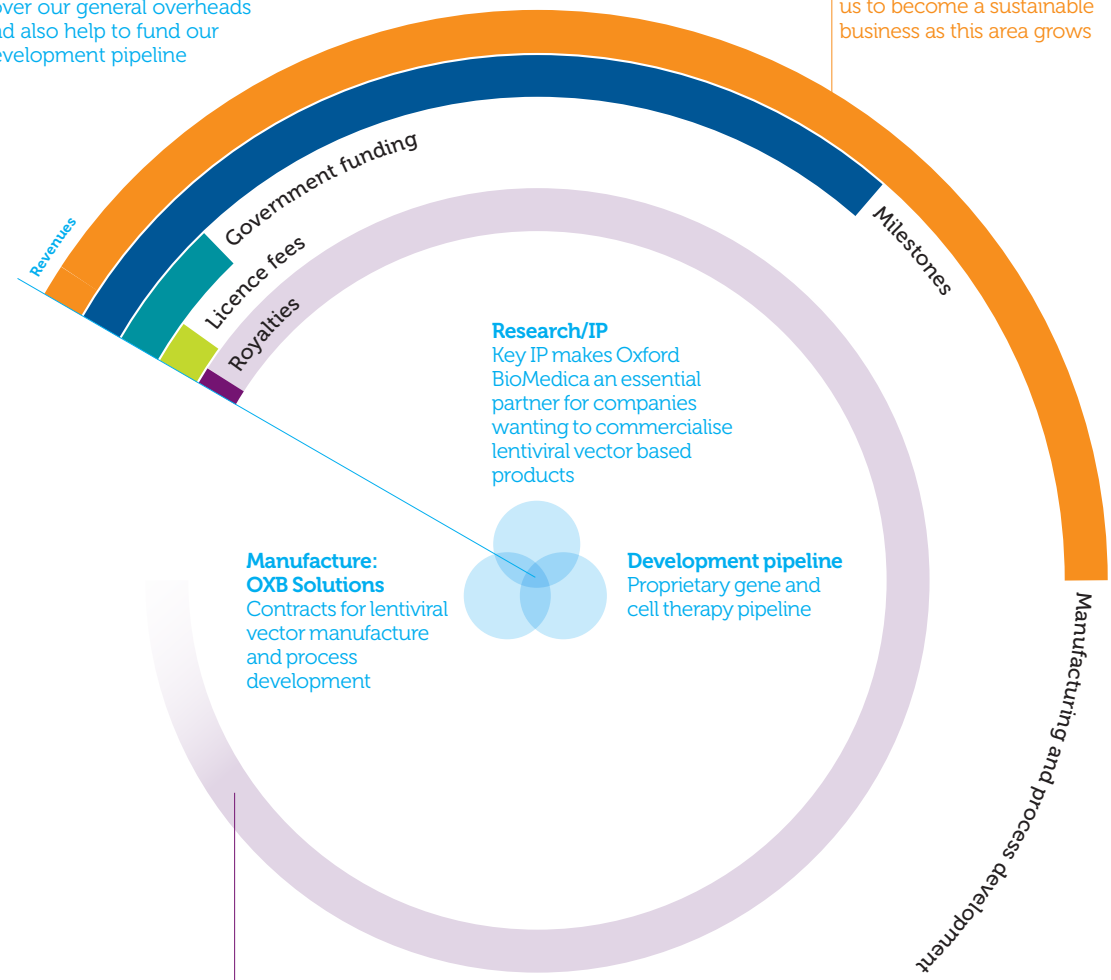
i) generate revenues to help fund our investments; and
ii) to seek partners with additional and complementary expertise to help develop and commercialise our products.

The advancement of our product pipeline continues apace. In 2014, we had four products in active clinical development, and we are preparing two more for entry into the clinic.

Manufacture: 'OXB Solutions'
We recognised that a lack of gene and cell therapy manufacturing expertise in the industry was a potential bottleneck to bringing these products to market. As a result, we decided to expand our manufacturing capability to enable the production of clinical trial material for patient studies and the market. Our vision began to be realised as in 2013 Novartis awarded us with our first contract followed by a second agreement in 2014. Revenues under this contract will help fund further planned investment in our manufacturing capability, and will support the development of our product pipeline. We intend to seek further process development and manufacturing contracts with additional industry partners.

Building a self-sustaining business
We are aiming to deliver a balanced business model, with revenues which will cover our general overheads and also help to fund our development pipeline

Present
The manufacturing part of our business is currently generating the bulk of our revenues. This is enabling us to become a sustainable business as this area grows



Research/IP
Key IP makes Oxford BioMedica an essential partner for companies wanting to commercialise lentiviral vector based products

Manufacture: OXB Solutions
Contracts for lentiviral vector manufacture and process development

Development pipeline
Proprietary gene and cell therapy pipeline

Future
As our vision becomes a reality the royalties from our pioneering products will transform our business as they grow from the smallest part of our revenues to potentially the largest

Chairman's message

Nick Rodgers
Chairman

2014 will prove to have been a transformative year for Oxford BioMedica

The main event in 2014 was undoubtedly the signing of a second agreement with Novartis following our initial agreement in 2013. The importance of this deal cannot be underestimated for two main reasons. Firstly, the validation of our patent estate, know-how and capability to deliver firmly establishes us as the leader in the industry for lentiviral vector based gene and cell therapy products. Secondly, in addition to the upfront payment and equity investment we have already received, the contract promises significant revenues over the next three years. This provides us with an opportunity to deliver a balanced business model whereby revenues support the Group's overheads, and help us to fund the development of our own product pipeline.

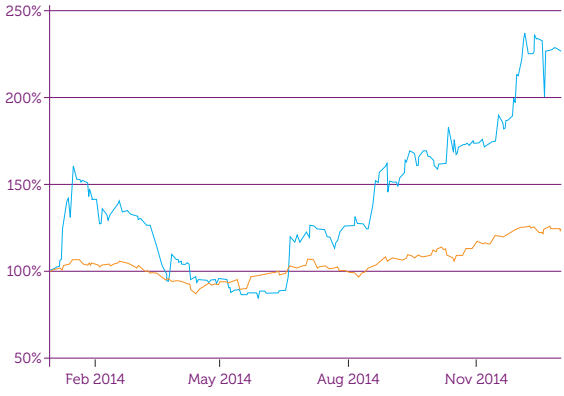
Although the Novartis contract gives us financial strength, I was pleased to see encouraging progress in the development of our product pipeline in 2014, as I am convinced that this remains our single most valuable asset. With four programmes in active clinical development, and two more being readied for the clinic, our pipeline is full of potential value, and we continue evaluating new pipeline opportunities.

Funding and share price performance

I was delighted with the support we received from our existing shareholders, and the investment of new shareholders, as part of our successful £21.6 million (before expenses) fundraise completed in June. M&G Investments increased its stake to nearly 20%, and Aviva Investors took a near 10% stake. We are particularly grateful to Vulpes, now our second largest shareholder, for its continued support in providing the £5.0 million loan facility in 2014 that allowed us to complete this fundraising. These timely funds gave us the platform to complete the Novartis negotiations on the best possible terms.

I would also like to praise the Government for its valuable support to the Group and to the UK biotech industry in general. I have no doubt that the Advanced Manufacturing Supply Chain Initiative (AMSCI) funding announced in 2013 helped to give us credibility in Novartis' eyes, while the award of a £2.2 million grant from Innovate UK (formerly the Technology Strategy Board) in 2014 will help us fund a Phase I/II clinical trial of OXB-102 in Parkinson's disease.

It was especially pleasing to see that the strong year operationally, was matched by the performance of our share price which is now starting to reflect some of the value in our business.



Share price performance 2014
Share price for Oxford BioMedica and FTSE TechMarkMediscience index from 31 December 2013 to 31 December 2014

Key:
Oxford BioMedica plc
FTSE techMARK mediscience index

126%

Oxford BioMedica's shareprice increased 126% during 2014, outperforming the TechMarkMediscience index. This was a pleasing reflection of the progress made by the Group during the year

Gene and cell therapy

It is clear that industry and investors are increasingly excited and encouraged by developments in the gene and cell therapy field in general. 2014 saw a number of very successful gene and cell therapy IPOs in the US led by Juno Therapeutics Inc. which was the most highly valued biotech IPO of the year, raising $265 million with a market capitalisation in excess of $3bn. We also saw some major, high-value industry collaborations in the space including deals announced between GSK and Adaptimmune (up to $350 million), and Pfizer and Cellectis (up to $2.8bn).

US valuations in the gene and cell therapy space, and in general in the sector, continue to exceed those in the EU, but we believe we can close this valuation gap by continuing to invest in our products and IP.

Investing for growth as industry momentum builds

The growing investment and activity in gene and cell therapy presents the Group with increasing opportunities for licensing and partnering across our business. We are starting a programme of investments in 2015 to substantially expand our manufacturing and analytical capacity, primarily to ensure that we meet our obligations under the Novartis contract. However, we will also be looking to generate further manufacturing related contracts with the wider industry.

As part of our planned expansion, we are in the process of relocating our offices and laboratories to a new facility directly opposite our manufacturing facility in Oxford, UK. In October 2014, we acquired the freehold of Windrush Court for a cash consideration of £3.2 million. The Board expects to recoup this purchase cost within 4 years through savings in rental costs and service charges once the current lease of the Medawar Centre expires in March 2016.

Summary

Oxford BioMedica is very well placed to capitalise on the positive change in sentiment towards gene and cell therapy. I believe approaches in this field have the potential to become the mainstay of currently unmet therapies in the future. We saw this with antibody based products and I believe we will now see this with gene and cell therapy products.

I would like to thank and congratulate our staff on their immense achievements during the year. We hope for further successes in 2015 as we progress our pipeline, expand our manufacturing business, and seek further technology licensing deals. Our future is very bright indeed.

Nick Rodgers
Chairman

Chief Executive Officer's review

John Dawson
Chief Executive Officer

£21.6m

Completion of a successful £21.6 million (before expenses) fundraise

3 years

Initial 3 year manufacturing contract for clinical supply for Novartis' CTL019 programme, with the potential for extension

2014 was a transformational year for Oxford BioMedica. Negotiations with Novartis that were starting around this time last year were brought to fruition. This resulted in the October 2014 announcement of a licensing and manufacturing agreement with a value of up to $90 million over the next three years, and with the prospect of further royalty revenues on any future product sales. The new contract with Novartis, together with the completion of a successful £21.6 million (before expenses) fundraise, puts us in a strong financial position from which to leverage our technology platform.

I am pleased to report that we made good progress across our clinical development pipeline during the year, while also initiating an exciting CAR-T 5T4 programme, which combines both of our main technologies (LentiVector® and 5T4 platforms) and takes us directly into the cell therapy space.

The Novartis deal

I am proud to say that it was our strong team performance under the initial contract signed in May 2013 with Novartis for CTL019 that led to the signing of the expanded agreement with Novartis in October 2014. The terms of this agreement include:

- Non-exclusive licence granted to Novartis covering Oxford BioMedica's LentiVector® platform IP in oncology
- A process development collaboration under which any arising IP is owned by Oxford BioMedica and Novartis has an exclusive licence to such arising IP as it relates to CAR T-cell products
- An initial three-year manufacturing contract for clinical supply for Novartis' CTL019 programme, with the potential for extension

Financial terms include:

- $4.3 million equity investment on signing the agreement
- Consideration for the IP licence was a $9.7 million non-refundable upfront payment and undisclosed royalties on CTL019 and other CAR-T products
- Potential payments of up to $76 million over three years for manufacturing and process development

Fundraising strengthened our negotiating position with Novartis

We were delighted to announce in June 2014 the completion of a successful £21.6 million (before expenses) fundraise from existing and new investors. Importantly, this provided us with the time and a robust financial position from which to complete our negotiations with Novartis and achieve the best possible terms. It has been pleasing to see the share price appreciate progressively following the fundraise and the Novartis announcement which is a sign of market confidence in our expertise and a wider realisation that the field of gene and cell therapy now provides real treatment options. I would also like to thank Vulpes, who were our largest shareholder at the time, for the loan facility it agreed with us at the start of 2014 to help facilitate the fundraise.

Our CAR-T programme in 2014, which leverages both our LentiVector® and 5T4 technologies, moves us directly into the cell therapy space

Our delivery on the 2013 Novartis contract was a major determinant in the Group being awarded the expanded contract announced in October 2014

Pipeline advances
We made strong progress across our development pipeline during the year:

LentiVector® platform

In February 2014 we announced that we had granted Sanofi a development and commercialisation license for StarGen™ and UshStat®, while providing for the return to us of the full product rights for Encorstat®. Under the new license agreement we are eligible for development and commercialisation milestone payments and royalties on any future sales of StarGen™ and UshStat®. Sanofi are now fully responsible for the development of these products and have taken over management of the current clinical trials.

We announced in April 2014 the completion of patient recruitment and dosing in the Phase I study of RetinoStat®. We also announced later that month that Sanofi had decided not to exercise the option to license RetinoStat®, but had confirmed that this decision was not linked to unexpected results from the study. We now look forward to receiving the final clinical study report in mid-2015. We are beginning to evaluate the best way forward for RetinoStat® and alternative ways of achieving this.

In January 2014, The Lancet published encouraging results from the previously reported Phase I/II study of ProSavin® in patients with advanced Parkinson's disease. These included an excellent safety profile and a significant improvement in motor function relative to baseline at six and 12 months. We are fast-tracking OXB-102 as a second-generation, more potent version of ProSavin®, as we believe OXB-102 could have even greater efficacy in this indication based on dose response observations. In April 2014 we were awarded a £2.2 million grant from Innovate UK (formerly the Technology Strategy Board) to fund a Phase I/II clinical trial of OXB-102 in Parkinson's disease patients, and we are currently preparing for the start of this study in 2016. I am pleased to report that our other CNS asset, MoNuDin, continues to progress well in pre-clinical development.

5T4 platform

We initiated our own CAR-T programme in 2014, which leverages both our LentiVector® and 5T4 technologies. While relatively early-stage, this moves us directly into the cell therapy space. Meanwhile, investigator-led Phase II studies of TroVax® in colorectal cancer, ovarian cancer and mesothelioma remain on course to report over the next 12-18 months.

Manufacturing operations: OXB Solutions

Our delivery on the 2013 Novartis contract was a major determinant in the Group being awarded the expanded contract announced in October 2014. Oxford BioMedica has the potential to earn up to $76 million over the next 3 years from delivering on manufacturing and process development targets agreed with Novartis. We now need to invest further in our manufacturing facilities to ensure we have the necessary capacity to achieve these targets, and a series of investments are planned over the next 12-18 months.

Chief Executive Officer's review

This new Windrush Court facility, which is opposite our existing manufacturing facility, will enable us to consolidate all our activities in one location

New headquarters acquired
We announced in October 2014 that we had acquired the freehold of the Windrush Court office and laboratory facilities in Oxford, UK, for a cash consideration of £3.2 million. This new facility, which is opposite our existing manufacturing facility, will enable us to consolidate all our activities in one location. This is expected to improve operational efficiency, providing additional capacity to accommodate our expansion and scale up, while also delivering significant cost savings in the medium term compared to our current premises.

Management updates
We further strengthened our management team with a number of senior management changes during the year. Oxford BioMedica's senior executive decision-making body is now the Senior Executive Team, comprising the four Executive Directors, John Dawson, Tim Watts, Paul Blake and Peter Nolan, together with Kyriacos Mitrophanous and James Miskin.

Outlook
It is an exciting time to be at Oxford BioMedica, and in the gene therapy field in general. We remain focused on driving our product pipeline forward to demonstrate its considerable value, in parallel with delivering under the contract with Novartis to help fund our wider activities. We have four products in active clinical development and keenly anticipate the complete results of the RetinoStat® Phase I study in mid-2015. We are busy preparing both EncorStat® and OXB-102 for entry into the clinic in 2016, and also continuing to evaluate new product opportunities, such as our exciting CAR-T 5T4 cell therapy programme.

We are actively seeking further revenue-generating opportunities from licensing our technology and winning further process development and manufacturing contracts from third parties. I anticipate that as more gene and cell therapy products enter clinical development, there will be demand from other companies for our manufacturing capabilities.

We will be expanding our physical capacity during 2015 and the first half of 2016 to ensure that we can meet our deliverables under the Novartis contract. This we believe could put us in a position that, by the end of 2016, revenues from our OXB Solutions manufacturing business will largely offset our general business overheads (excluding any project funding requirements). Further licensing and royalty income beyond the Novartis contract could allow us to fund our own product pipeline going forwards. We are working hard across the business to ensure that 2015 is another year of strong progress for the Group, our shareholders and ultimately the patients we hope will benefit from our business success.

John Dawson
Chief Executive Officer

Our strategy

We believe that gene therapy will become a mainstay of patient therapy in the future.

Our long term goal is to become a standalone, self-financing gene and cell therapy medicines business with the capabilities and capacity to take our products through to market. We have made pleasing advances in executing our strategy over the last 12-24 months, and in particular, taken great strides towards delivering a balanced business model.

(a) Scientific excellence – the best technology
Our strategy is to ensure we have access to the leading gene therapy and cell therapy technologies, so our products have the highest possible chance of success and we remain attractive to development and commercialisation partners.

(b) Balanced portfolio – risk-reward
We seek to maximize the returns for our shareholders, while delivering medical advances for patients. This will necessitate having a balanced portfolio in terms of the risk-reward and stage of development of our development projects.

(c) Balanced model – financially robust
We have tangible ambitions of supporting our in-house R&D programmes from revenues generated from out-licensing intellectual property and providing manufacturing expertise to the industry.

(d) Ability to deliver our own products and deliver for partners – capability and capacity
To extract maximum economic value from our technology, we are building the capability to deliver our products through to market in the most cost-efficient manner. This means we must collaborate with and out-license some of our products with partners who have the in-house capability and financial resources to complete their development and subsequent commercialisation. In the future, Oxford BioMedica may be better placed to deliver its own products to market as and when opportunities present.

We must also make sure that we have the necessary capability and capacity to deliver on our commitments to our partners, including under our manufacturing contracts, as these provide us with the means to manage our cash burn.

(e) Operational excellence – the best people deliver
Having the best science alone is not enough. We must also have the best execution. And this means the best people, the best culture and the best business process. At Oxford BioMedica, we are always challenging ourselves to improve in every way we can.

Strategy in action

(a) Scientific excellence	2014 targets
IP generated, publications, conference presentations	– Publish and present on our products – Develop and invest in improved manufacturing processes – Invest in IP

(b) Balanced portfolio	2014 targets
Advance current pipeline projects	– Develop product candidates to next inflection points – Complete StarGen™ and UshStat® license to Sanofi – Secure return of EncorStat® from Sanofi
Advance pre-clinical projects	– Progress Glaucoma-GT and MoNuDin® pre-clinical development
Initiate new research programmes	– Identify new opportunities and conduct proof of concept work to assess which projects we can consider as candidates for pre-clinical programmes in the next two to three years

(c) Balanced business model	2014 targets
Achieve financial security in near-mid term	– Raise additional funds – Reduce underlying cash burn
Increase revenue streams through OXB Solutions	– Win manufacturing and process development contracts – Out-licensing revenues
Win further grant financing	– Source grants to fund key programmes
Partnering of pipeline products	– Out-license key programmes
Manufacturing	– Progress the AMSCI project to expand our manufacturing capability and improve our manufacturing processes

(e) Operational excellence	2014 targets
Organisational effectiveness	– Review management structure and implement necessary changes
Attract and retain high calibre employees	– Develop organisational capabilities

2014 delivery	2015 focus
– The Lancet publication of the successful ProSavin® phase I/II study – Developing an improved manufacturing process for lentiviral vectors including generation of know-how	– Publish and present on our products – Invest in LentiVector® platform technology – Invest in manufacturing processes – Invest in IP

2014 delivery	2015 focus
– RetinoStat® Phase I study recruitment completed – RetinoStat® Phase I study met primary endpoints of safety and tolerability at six months – TroVax® Phase I/II and Phase II investigator led trials continue to recruit – Oxford BioMedica regained the worldwide rights to EncorStat®, continued to prepare EncorStat® and OXB-102 for clinical evaluation – StarGen™ and UshStat® license to Sanofi completed and clinical studies transferred	– Results from the Phase I clinical trial of RetinoStat® to be completed and published – Identify future development pathway for RetinoStat® – Preliminary results of TroVax® Phase II trials expected – Planning for the Phase I/II study of EncorStat® at the Moorfields Eye Hospital, London – Planning for the Phase I/II study for OXB-102
– Projects made good progress and remain on-track	– Efficacy proof of concept study for Glaucoma-GT close to completion – Pre-clinical work for MoNuDin® in selection of candidate close to completion
– Several exciting new project proposals under evaluation – Utilised our proprietary LentiVector® and 5T4 platform technologies to develop CAR-T 5T4 constructs	– Progression of research projects into pre-clinical programmes – Identify lead CAR-T 5T4 construct to move into pre-clinical studies

2014 delivery	2015 focus
– Fundraising completed – Cash used in operations reduced to £7.4 million (2013: £13.0 million)	– Continuously evaluate funding requirements
– Novartis deal signed worth up to $90 million over three years – StarGen™ and UshStat® successfully out-licensed to Sanofi	– Win further contracts for process development and manufacture – Secure future IP licences and/or product licences
– Oxford BioMedica was awarded a £2.2 million grant from Innovate UK, under the Biomedical Catalyst funding programme, to fund a Phase I/II clinical trial of OXB-102 in Parkinson's disease patients	– Source further grants
– StarGen™ and UshStat® successfully out-licensed to Sanofi. RetinoStat® rights regained from Sanofi	– Consider which programmes, if any, should be partnered at current stage
– AMSCI project is progressing on target. Further expansion of manufacturing capacity underway both at our current facility and at an additional location, Yarnton, Oxford	– AMSCI should be close to completion; expansion of additional capacity at our current facility and at an additional location, Yarnton, Oxford should be completed

2014 delivery	2015 focus
– Creation of new Senior Executive Team – Acquired freehold to Windrush Court to consolidate activities in one location	– Renovate and upgrade laboratories to Windrush Court
– Headcount increased from 106 to 134 employees during 2014	– Continue to develop internal processes and reward structures as necessary

The company is developing a product which combines both its LentiVector® and 5T4 technology platforms. The new product is currently in pre-clinical stage development

Delivering a balanced portfolio:
Lentiviral vector ophthalmology products

RetinoStat®

In April 2014, we announced the completion of the recruitment and dosing of 21 patients in the Phase I trial. This open-label study evaluated three dose levels, in four cohorts, to assess safety and aspects of biological activity in the eye following a single administration of RetinoStat®. We announced in November 2014 that the study had met its primary endpoints of safety and tolerability based on a six-month follow up. However, the study protocol requires the patients to be followed up for 48 weeks after dosing, meaning that the last patient visit is scheduled for March 2015.

We have conducted interim analysis of patients' samples available to date, as permitted under the open-label study. As previously reported, we observed a substantial increase in both the target gene products in the eye: endostatin and angiostatin proteins. Encouragingly, protein expression has been sustained for more than 12 months, the longest time-point assessed to date in the first three cohorts, and a clear proportional dose response has been seen.

The final study report should be available in mid-2015 and we intend to publish the results in an appropriate forum.

We announced in April 2014 that we had regained the worldwide rights to RetinoStat® after Sanofi elected not to exercise their option to license the product for development and commercialisation, for reasons unrelated to the study. Once the final results have been analysed we will evaluate the best development pathway for the product and whether to continue the development internally or to partner with a third party.

StarGen™

StarGen™ is currently in a Phase I/II study as an intended treatment for Stargardt disease. We announced in February 2014 that Sanofi had licensed the product and taken over responsibility for the product's continued development and commercialisation. Management of the ongoing clinical study has been successfully transferred to Sanofi. We manufactured new batches of StarGen™ at our own expense to enable the current Phase I/II studies to be completed by Sanofi. A technology transfer process is underway which will enable Sanofi to manufacture clinical trial material in future. Under the license agreement, we are due to receive development and commercialisation milestone payments and royalties on any future sales of the product. Although Stargardt disease is quite rare, the market size for StarGen™ is significant, at an estimated market opportunity of around $500 million.

4.5m

Wet AMD accounts for 10–15 per cent of all AMD, but is responsible for 90 percent. of cases of severe vision loss associated with AMD, which affects up to 4.5 million patients worldwide

Source: AMD Alliance International

$7.0bn

The industry standard treatments for wet AMD and other related ocular conditions achieved global sales in excess of $7.0 billion in 2014

Source: Novartis/Roche and Regeneron/Bayer actual sales of Lucentis® and Eylea® in 2014

$500m

The market size for StarGen™ is significant, at an estimated potential value/market opportunity of around $500 million

UshStat®

UshStat® is currently in a Phase I/II study as an intended treatment for Usher Syndrome type 1B. We announced in February 2014 that Sanofi had licensed the product and taken over responsibility for the product's continued development and commercialisation. Management of the ongoing clinical study has been successfully transferred to Sanofi and, as for StarGen™, we were also required to manufacture a new batch of the product at our own expense, to enable the current Phase I/II studies to be completed by Sanofi. Sanofi will manufacture the product in future once the ongoing technology transfer process is complete. Under the new license agreement, we are eligible to receive development and commercialisation milestone payments and royalties on any future sales of the product. The market size for UshStat® is estimated by Oxford BioMedica to be around $90 million globally per annum.

EncorStat®

We are currently working towards the start of a Phase I/II study for Encorstat® for the prevention of corneal graft rejection. Clinical study material has been manufactured at our facility and study design discussions have been held with the MHRA. While good progress has generally been made in 2014, the completion of pre-clinical work has taken longer than expected and the study is now expected to start in 2016. The study will be partially funded by the Innovate UK grant we announced in 2013. The potential peak year sales for EncorStat® are estimated by Oxford BioMedica to be $60-$80 million.

Glaucoma-GT: pre-clinical

In November 2013, we announced encouraging results from pre-clinical studies conducted in conjunction with the Mayo Clinic in the US. We have demonstrated that the product is well-tolerated, reaches the intended target cells at the back of the eye following transcorneal injection and resulted in long-term gene expression for five months, the furthest time point evaluated. A pre-clinical study is now underway to demonstrate proof of concept, by lowering of intraocular pressure, and is likely to complete in 2016.

For a brief description of our Lentiviral vector ophthalmology products see the glossary on page 109

For more information visit:
www.oxfordbiomedica.com/products

We are now moving OXB-102 into clinical studies

The clinical trial material for OXB-102 has been manufactured in our Cowley facility and we are preparing for the planned start of the study in 2016

Delivering a balanced portfolio: Lentiviral vector CNS products

OXB-102/ProSavin®

OXB-102 is a new, more potent, form of ProSavin® for the treatment of Parkinson's disease. ProSavin® completed a Phase I/II clinical trial in 2012 and in January 2014 the results were published in The Lancet. It was reported that ProSavin® demonstrated excellent safety and tolerability, and also showed a statistically significant improvement in motor function at both 6 and 12 months post-treatment relative to baseline. Patients receiving the 5x dose appeared to respond the most, suggesting that even higher doses may be more efficacious. We therefore decided in April 2012 to evaluate OXB-102, a more potent construct of ProSavin® before progressing further clinical development. Pre-clinical efficacy studies carried out in 2013 using behavioural and movement analysis indicate that OXB-102 is at least five times more potent than ProSavin®. OXB-102 also provides the additional benefits of extended patent protection and a reduction in cost of goods over ProSavin®.

As a result, we are now moving OXB-102 into clinical studies. In April 2014, we announced that we had been awarded a £2.2 million grant from Innovate UK (formerly the Technology Strategy Board), under the Biomedical Catalyst funding programme, to fund a Phase I/II clinical trial of OXB-102 in Parkinson's disease. We have manufactured the clinical trial material in our Cowley facility and are preparing for the planned start of the study in 2016. We believe that OXB-102 could present a major opportunity, given the high unmet need and an anticipated 2.8 million patients forecasted by 2021 in the USA, Japan and five largest European markets alone (source: Datamonitor Epidemiology April 2012).

MoNuDin®: pre-clinical

MoNuDin® is a gene therapy product designed to deliver a VEGF gene to the neuronal cells affected by motor neurone disease via direct administration into the cerebrospinal fluid. An early version of MoNuDin® has shown promising results in initial pre-clinical studies and we are now optimising the product for clinical trials. A pre-clinical programme involving two forms of VEGF is underway in collaboration with VIB/University of Leuven, and supported by funding from the UK Motor Neurone Disease Association (MNDA).

For a brief description of our Lentiviral vector CNS products see the glossary on page 109

For more information visit:
www.oxfordbiomedica.com/products

In January 2014, publication in The Lancet entitled "Long-term safety and tolerability of ProSavin®, a lentiviral vector-based gene therapy for Parkinson's disease: a dose escalation open label phase I/II trial"

Lead author Professor Stéphane Palfi, Principal and Coordinating Investigator at the Henri Mondor Hospital in Paris, commented: "We are pleased with the results of this early clinical study which indicates that the EIAV lentiviral vector technology has an excellent, long-term safety profile. Patients treated with ProSavin® have exhibited a statistically significant improvement up to a full year after receiving a single administration of ProSavin® . This pioneering study, using lentiviral vector technology, will certainly pave the way for further clinical developments of ProSavin®, and potentially other neurological and ocular disorders."

Tom Isaacs, President and Co-Founder of The Cure Parkinson's Trust and a person with Parkinson's disease, said: "The publication of this set of results for ProSavin® is yet another step forward in the quest for improvement of Parkinson's treatments. Not only does Oxford BioMedica's approach represent an exciting therapeutic prospect, but it also demonstrates the huge promise of gene therapy as a means of permanently tackling a condition over which, currently, we only have the ability to temporarily control symptoms."

2.8m

Parkinson's is an area of high unmet need. It is anticipated there will be 2.8 million patients by 2021 in the USA, Japan and five largest European markets alone

5T4 Tumour Antigen platform

The Group has exclusive rights to intellectual property regarding the 5T4 antigen. This unique protein (onco-foetal tumour antigen) is expressed on the surface of tumours and appears to be involved in the metastatic spread of cancers. It is found in abundance on most common types of solid tumours but is present only in very low levels in some healthy tissues, making it a potentially valuable target for novel anti-cancer therapies.

TroVax®

TroVax® is a therapeutic cancer vaccine designed to stimulate the immune system to destroy cancerous cells expressing the 5T4 antigen. The product comprises a 5T4 tumour associated antigen-encoding sequence delivered by a poxvirus (MVA) vector.

One Phase I/II and two Phase II investigator-sponsored studies are currently underway in the UK to assess the safety and immunological activity of the product in patients with inoperable metastatic colorectal cancer, mesothelioma and ovarian cancer. All of these studies are using a biomarker to select patients for the studies. To support these studies, Oxford BioMedica is contributing clinical trial material and retains full product rights to TroVax®. These studies should report towards the end of 2015 and in 2016, providing a potential value-driver and out-licensing opportunity should these studies demonstrate efficacy in these biomarker-selected patients.

PF-06263507

In 2001, Oxford BioMedica licensed a 5T4-antibody to Wyeth (acquired by Pfizer in 2009). Pfizer's product contains the 5TA targeting antibody connected to a cytotoxic drug capable of killing the target cancer cells. In August 2013, Pfizer paid a contractual $1 million milestone payment upon the start of clinical development of the drug and a Phase I study remains ongoing. We have the potential to earn up to $28 million from Pfizer in upfronts, option fees and milestone payments relating to the development of the product.

5T4 cancer imaging agent

In 2012, ImaginAB acquired an exclusive worldwide license for commercialisation of an *in vivo* 5T4-based imaging diagnostic that was being developed in collaboration with Oxford BioMedica. Under the terms of this license, Oxford BioMedica could receive up to $4 million in future development milestone payments, with an additional royalty on potential product sales.

For a brief description of our 5T4 Tumour Antigen platform products see the glossary starting on page 109

For more information visit:
www.oxfordbiomedica.com/products

CAR-T 5T4 programme
The Group is developing a product which combines both its LentiVector® and 5T4 technology platforms. The product is based on a gene modified autologous T-cell which is engineered using a lentiviral vector to express an antibody against 5T4. The T-cell is then infused into the patient where it recognises the 5T4 tumour antigen and triggers the "normal" T-cell killing mechanisms which kills the cancer cell. This innovative approach directly primes the immune system against the 5T4 antigen, by presenting the antigen on T-cells which are responsible for detecting foreign antigens. This new product is currently in pre-clinical stage development.

Intellectual property and technology licensing
We actively manage our intellectual property estate to provide robust protection for its products and platform technologies and to identify and protect new inventions. Granting third parties licenses to our IP also has the potential to be an increasingly important revenue stream for the Group through upfront, milestone and royalty payments. To date, we have granted LentiVector® and other platform licenses to a number of third party companies.

In October 2014, we signed a non-exclusive worldwide development and commercialisation licence in oncology under the Group's existing LentiVector® platform with Novartis.

In December 2013, we signed an option agreement with GlaxoSmithKline (GSK) that grants GSK an option to a non-exclusive licence to our LentiVector® platform for six orphan indications.

In 2010, Bavarian Nordic licensed the Group's heterologous PrimeBoost technology patents and poxvirus patents for PROSTVAC™ which is in Phase III for advanced prostate cancer. Also in 2010, Emergent BioSolutions licensed our heterologous PrimeBoost technology patents and poxvirus patents for the development of a tuberculosis vaccine which is in Phase II.

OXB Solutions
We recognised that a lack of gene and cell therapy manufacturing expertise in the industry was a potential bottleneck to bringing these products to market. As a result, we decided to expand our manufacturing capability to enable the production of clinical trial material for patient studies and the market. In 2013 we were able to secure a mix of grant (£1.8 million) and loan (£5.3 million) funding under the UK Government's Advanced Manufacturing Supply Chain Initiative (AMSCI) which was of significant assistance. Expanding our capacity and resources allows us to seek further process development and manufacturing contracts with additional industry partners.

This was confirmed in 2014 when we were able to announce that, building on an initial contract in 2013, Novartis had commissioned us for manufacture of batches of CTL019 lentiviral vector for clinical study, and to carry out further process development work. The Novartis requirements exceed our current capacity and even the capacity we will have once the AMSCI project is completed in 2016. As a result we decided to expand our current Cowley facilities still further by establishing a new manufacturing facility at Yarnton, Oxford, and to move into larger laboratory and office facilities at Windrush Court.

For more information about OXB Solutions visit:
www.oxbsolutions.com

We recognised that a lack of gene and cell therapy manufacturing expertise in the industry was a potential bottleneck to bringing these products to market and as a result are expanding our manufacturing capability

Our new Windrush Court office and laboratory facilities acquired in 2014, total 6,684 sq m, and are located directly across from our manufacturing facility

Management and other operational updates
To support our growing operations we made a number of senior management changes during the year. Paul Blake was appointed Chief Development Officer from 1 September 2014, with responsibility for the clinical development of the Group's pipeline of gene and cell therapies. Paul was previously a non-Executive Director and remains a Director of the Group.

Peter Nolan's role has broadened to become Chief Business Officer, covering Business Development, IP, Quality Control & Assurance, Health & Safety and Facility Management. Peter joined Oxford BioMedica in 1997 and has been a Board member since 2002.

Kyriacos Mitrophanous was promoted to Chief Scientific Officer, covering identification/evaluation of new scientific opportunities, cell & vector engineering, analytical development, and pre-clinical product development. Kyriacos joined the Group in 1997.

James Miskin was promoted to Chief Technical Officer, covering manufacturing operations and manufacturing process development, including the capacity expansion projects. James joined the Group in 2000.

Oxford BioMedica's senior executive decision making body is now the Senior Executive Team, comprising the four Executive Directors, John Dawson, Tim Watts, Paul Blake and Peter Nolan, together with Kyriacos Mitrophanous and James Miskin.

We announced in October 2014 that we had acquired the freehold of the Windrush Court office and laboratory facilities in Oxford, UK, for a total cash consideration of £3.2 million. This 6,684 sq m facility is located directly opposite our manufacturing facility and we intend to relocate our laboratories and office activities there in stages before the current lease of the Medawar Centre, Oxford, expires in March 2016. We anticipate significant operational advantages from consolidating our activities on one site, while providing more room for expansion as we continue to scale our operations.

John Dawson
Chief Executive Officer

Chief Financial Officer's review

Tim Watts
Chief Financial Officer

In my 2013 review I said that we had started to see the emergence of new and profitable revenues that could potentially develop over the next two to three years into a significant and sustainable cash contributor, offsetting our cash burn. As evidenced by the signing of our second agreement with Novartis – this is now being achieved. The agreements with Novartis provide us with the opportunity to earn significant revenues over the next three years, potentially allowing the Group to become cash flow positive by the end of 2016 based on our current plans.

To that end, we saw a substantial step up in manufacturing and process development revenues in 2014, and these will recur and grow through 2015 and beyond. After the allocation of relevant and appropriate costs, these revenues are profitable and are starting to offset the Group's overall cost base – thereby reducing the cash burn from R&D expenditure whilst we advance our product pipeline. We also benefited in 2014 from the receipt of upfront payments from Novartis worth $9.7 million (£6.1 million) for a licence to use our lentiviral vector IP.

We are now actively increasing our manufacturing capacity to ensure we are able to meet our delivery targets. We started expanding our cost base in 2014 with additional employees hired to support the expansion of manufacturing activities as the Group scales up work with Novartis. This is set to continue in 2015, and beyond, particularly as we seek to win further manufacturing contracts from Novartis and other third parties.

Capital expenditure increased in 2014. The largest single item was the £3.2 million acquisition of Windrush Court, our new laboratory and office complex. As well as being operationally more suitable for our needs, the new site will, over the long term, reduce our cash burn as we will avoid the significant rental costs previously incurred at the Medawar Centre. Our capital expenditure programme will also continue over the next two years as we increase our manufacturing capacity.

Key performance indicators

— Profit-generating revenues[1] £7.7 million (2013: £2.6 million)

— Cash used in operations £7.4 million (2013: £13.0 million)

— Cash burn[2] £11.6 million (2013: £11.9 million)

— Cash balance £14.2 million (£2.2 million at the start of the year)

— Headcount 134 employees at year end (106 at the start of the year)

[1]Revenues from the provision of manufacturing and process development services to third parties

[2]Net cash used in/generated from operations plus sales and purchases of non-current assets and interest received

£13.6m

Total revenues
Total revenues of £13.6 million (excluding grants) in 2014 (2013: £5.4 million)

£7.7m

Profit-generating revenues
Total revenues include profit-generating revenues £7.7 million (2013: £2.6 million)

£7.4m

Cash used in operations
Cash used in operations, before capital expenditure £7.4 million (2013: £13.0 million)

£11.6m

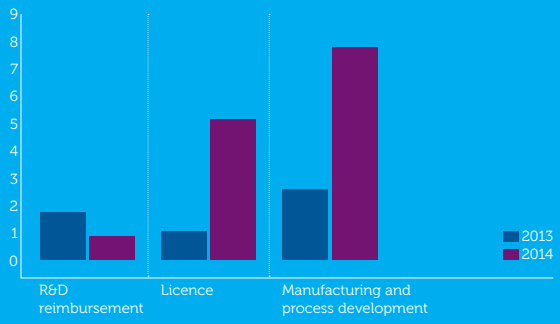
Cash burn
Cash burn (net cash used in/generated from operations plus sales and purchases of non-current assets and interest received) £11.6 million in 2014 (2013: £11.9 million)

£14.2m

Cash balance
£14.2 million cash balance at end 2014 (£2.2 million at the start of the year)

134 people

Headcount
Headcount increased to 134 employees at year end (106 at the start of the year) to support manufacturing revenue generation



Revenues 2014 versus 2013
£m

Revenues (excluding grants) £13.6 million (2013: £5.4 million)

Revenues grew substantially in 2014 to £13.6 million from£5.4 million in 2013. The three main components of revenues were:

- £7.7 million (2013: £2.6 million) from provision of manufacturing and process development services to third parties. The majority of this came from Novartis for process development activities including optimisation of the CTL019 lentiviral vector manufacturing process
- £5.1 million (2013: £1.0 million) from licence deals. The majority (£4.8 million) of the 2014 licence revenue is from the Novartis upfront payments announced in October
- £0.8 million (2013: £1.7 million) residual revenue from the 2009 Sanofi collaboration

Building towards a sustainable revenue-generating business

Importantly, apart from short-term recognition timing differences, all of our 2014 revenues represent current cash generation. This differs significantly from recent years when a very substantial part of our revenues comprised the deferred recognition of the $26 million upfront received from Sanofi in 2009, and was therefore not current cash generation. The 2014 revenues and the new Novartis contracts show that we are now building a sustainable revenue-generating business.

Cost of sales £4.4 million (2013: £1.1 million)

The bulk of our cost of sales arose from Novartis-related manufacturing activities. However small amounts were incurred in both years relating to royalties payable on licence payments received from Novartis in 2014 and Pfizer in 2013. The manufacturing-related cost of sales arose from the fully-overheaded cost of manufacturing viral vectors. This includes raw materials, direct manufacturing labour, indirect labour (including facility support staff and the significant effort required for quality control and analytical testing), as well as facility costs and overheads.

Gross profit £9.2 million (2013: £4.2 million)

Gross profit increased by £5.0 million. Of this around £3.8 million is due to the higher licence receipts, net of upstream royalty payments, and around £2.1 million from greater manufacturing and process development activities. These were offset by a decline in the revenues from Sanofi relating to the 2009 collaboration.

R&D costs £17.0 million (2013: £13.8 million)

R&D costs include all costs of manufacturing and R&D activities excluding the amounts which have been transferred to cost of sales. Included in R&D are two one-off items:

One-off R&D costs in 2014 of £2.3 million

One-off R&D costs in 2014 were associated with two items:

1) the manufacture of new batches of StarGen™ and UshStat® required to complete the ongoing Phase I/II clinical studies under the terms of the agreement with Sanofi. Although these studies have now been transferred to Sanofi, Oxford BioMedica was responsible under the 2009 collaboration agreement for the supply of all the clinical material; and
2) the manufacture of a viral vector in respect of an unnamed pilot project which may translate to fees in due course. In aggregate these items amounted to £2.3 million.

Without the one-off items in 2014, R&D costs would have been £14.7 million, only 7% above 2013. This increase was partly due to the need to build up headcount in anticipation of the new Novartis contracts. There was also expenditure on the previously announced manufacturing project partially funded by the grant from the UK Government's Advanced Manufacturing Supply Chain Initiative (AMSCI). These higher costs are offset by the grants receivable which are disclosed separately in the financial statements.

Administration costs £4.0 million (2013: £3.4 million)

Administration costs of £4.0 million were £0.6 million higher than in 2013 mainly due to inflation and slightly higher manpower costs required to provide support to our rapidly growing business.

Grants receivable £1.1 million (2013: £0.1 million)

The increase in grants receivable during 2014 was from the Advanced Manufacturing Supply Chain Initiative and the Innovate UK (formerly Technology Strategy Board) grant for EncorStat®, both of which were announced in 2013 but for which the activities started in 2014.

Loss for the year £10.6 million (2013: £12.8 million)

The operating loss for the year of £10.6 million was £2.2 million lower than in 2013. This is explained by the £5.0 million increase in gross profit offset by £2.8 million of higher costs, net of the grants received which offset AMSCI and EncorStat® project costs. If the one-off R&D costs described above were to be excluded, the loss for the year would have been reduced to £8.3 million.

Finance costs of £0.2 million arose primarily from the loan facility provided by Vulpes Life Sciences Partners in the first half of 2014. The tax credit at £2.1 million is £0.5 million greater than in 2013 due to an increase in the tax credit percentages which took effect in 2014. The overall after-tax loss for the year was £8.7 million, being £2.4 million lower than in 2013.

Balance sheet

— Property, plant and equipment have increased by £4.9 million in 2014, with £5.6 million of additions reduced by £0.7 million depreciation. The main additions were the acquisition of Windrush Court, our new office and laboratory facility in Oxford, which cost £3.5 million (£3.2 million plus stamp duty and acquisition costs), £1.1 million for the purchase of manufacturing and laboratory equipment, with the bulk of the remainder comprising expenditure on manufacturing capacity expansion

— Inventory has increased to £1.4 million (2013: £0.7 million) as we have built up raw materials to meet the manufacturing volumes required under the Novartis contract

— Trade and other receivables at £5.2 million are £2.6 million greater than 2013, primarily due to Novartis receivables being higher

— Cash and cash equivalents are £14.2 million, £12.0 million above the balance at the end of 2013. The increase is explained in the cash flow section below

— Trade and other payables of £6.3 million are higher than 2013 (£2.9 million), due to a combination of different timing of payments to suppliers over the year end, accruals for fixed asset purchases, and higher bonuses in 2014

— The £1.0 million loan is the first drawdown of the £5.3 million AMSCI loan facility which was announced in 2013. This loan is being used to finance the capacity expansion programme originally envisaged in early 2013. However, this programme has now been significantly expanded as a result of the need to meet Novartis' production needs. Therefore, our total capital expenditure over the next two years will be substantially greater than the loan facility

— Deferred income of £2.9 million principally arises because, under the manufacturing payment terms agreed with Novartis, a portion of the price of each batch is invoiced on confirmation of order and at the start of the manufacturing process. At the end of the financial year, to the extent that a batch remains as work-in-progress, a proportion of these invoices have not yet been recognised as revenue

Cash flow

Cash used in operations in 2014 was £7.4 million, compared with £13.0 million in 2013. The operating loss was £10.6 million (2013: £12.8 million) but the cash impact of this was reduced by £1.5 million of non-cash items (depreciation, amortization, impairment and share option charges) (2013: £1.4 million) and also benefited by a £1.7 million favourable movement in working capital (2013: £1.6 million adverse movement).

The R&D tax credit receipt added £1.6 million to cash used (2013: £2.0 million), while interest paid of £0.2 million (2013: £nil) and, importantly, capital expenditure of £5.6 million (2013: £0.8 million) increased the cash burn to £11.6 million (2013: £11.9 million).

Headcount

The increase in headcount during 2014 is explained by the need to fully staff the manufacturing operations to support the Novartis contract including manufacturing, quality control and analytical staff.

Financial outlook

Our key financial objectives for 2015 require that we deliver the targets under the Novartis contracts – the fulfilment of which requires recruitment of more staff and significant capital expenditure on manufacturing capacity.

The Novartis contracts will generate further significant manufacturing and process development revenues in 2015 and 2016 which will lead to the further reduction of our underlying operational cash burn, at the same time as we continue to advance our exciting pipeline in gene and cell therapy. We will also be seeking similar contracts with other third parties. In conclusion, Oxford BioMedica's business has been transformed, and is en-route to becoming potentially cash positive by end 2016.

Going concern

The Group had £14.2 million of cash at the end of 2014 and is now generating profitable revenues from its manufacturing activities. However, it will incur substantial capital expenditure over the next 15 months as it expands manufacturing and analytical testing capacity to enable it to meet the volumes expected under the Novartis contracts. In the absence of any further upfront receipts from potential product or IP licence deals, the Directors estimate that the cash held by the Group including known cash inflows will be sufficient to support the current level of activities into the first quarter of 2016. Known cash inflows include a proportion of the contractual milestone payments from Novartis which are based on process development progress continuing at its current rate.

The Directors have also considered the range of potential sources of cash to the Group and expect to be able to secure adequate resources should they be required. Whilst the Directors have confidence that such resources could be obtained, no such additional resources are committed at the date of these financial statements. In the absence of securing such funds or other sources of cash, the Group would choose to curtail or suspend part of its capital expenditure programme until such funds were secured.

After due consideration, the Directors are of the view that the Group will have access to adequate resources to allow the Group to continue for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

Tim Watts
Chief Financial Officer

Corporate social responsibility

The Board and Senior Executive Team are fully committed to the principles and implementation of corporate social responsibility (CSR), in the way we behave inside the Group and in how we interact with the external environment. Health and Safety is of a paramount concern – the Board has standing agenda items covering internal Health and Safety matters and in relation to product quality. We have specific policies that cover key aspects of CSR and strive to operate at the highest level of integrity.

Our relationships

Internal relationships

Attracting, motivating and retaining a highly skilled workforce has been and remains critical to Oxford BioMedica's success and sustainability, particularly at the present time as we scale up our operations. The Group's employment policies are based on guidelines for best practice. We seek to offer competitive remuneration packages for all employees, and to recognise the rights and equal opportunities for all employees without discrimination. The Board as a whole takes considerable interest in employment matters which are represented at board level by the Chief Executive Officer.

Company values

Our mission, vision and values aim to encourage innovation amongst our people. The values are designed to engage and inspire our staff to work to the best of their ability, to work together to achieve timely delivery and to cultivate enthusiasm in the work place.

Diversity

The table below shows the gender split at different levels in the organisation as at 31 December 2014.

	Male	Female	Total	% Male	% Female
PLC Board including non-Executive Directors	7	–	7	100%	–
Senior managers excluding directors	15	6	21	71%	29%
All other employees	39	70	109	36%	64%
Total	61	76	137	45%	55 %

Training and development

We are operating in a highly technical business and it is essential for the Group's short and long term success that our employees are properly trained for their roles and that they are encouraged to develop their skills so that they can achieve their potential. Our line managers are responsible for identifying training needs in their teams, and identifying and developing talent. Training is given in a wide variety of ways including on-the-job coaching, in-house and external courses. We regularly host internal seminars led by industry and scientific experts.

Sharing information

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

External relationships

Our external stakeholders include shareholders, patients, healthcare professionals, patient advocacy organisations, charitable institutions, partners, collaborators, licensors, licensees, customers, suppliers and advisers. These relationships are a fundamental aspect of our business activities. We are committed to interacting with all stakeholders in an ethical manner, and to ensuring that the relationships are maintained at a professional and appropriate level. Our interactions with external stakeholders are regularly reviewed by the Senior Executive Team.

Clinical trials

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

Communication

The Chief Executive Officer and Executive Directors have primary responsibility for communication with shareholders and related stakeholders. We also use the services of external financial and corporate communications agencies. We seek to disseminate information in a timely, reliable and comprehensive fashion, and we comply with the rules and guidelines of the UK Listing Authority for a Company on the Official List. Further information is given in the governance report on page 46.

Product development

Animal testing

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

Quality assurance

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

We place the highest priority on the safety and well-being of our clinical trial patients who are treated with our products. It is a regulatory and Group requirement that employees are aware of the implications and importance of maintaining drug safety, quality and efficacy throughout its clinical trial programmes. Oxford BioMedica regularly holds company-wide Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), Good Laboratory Practice (GLP) and pharmacovigilance training to ensure that employees are aware of and compliant with current best practice. The Group continues to support ongoing and periodic training as an essential part of its continuous improvement philosophy.

Strong emphasis is also placed on maintaining the integrity of the Group's products including their safe manufacture, controlled distribution and compliance with all relevant regulations. Oxford BioMedica is responsible for ensuring that each batch of product is fit-for-purpose in terms of safety, quality, identity, strength, purity and expected efficacy. Oxford BioMedica continues to operate under GMP, GCP and GLP accreditations on an ongoing basis and has remained within compliance throughout 2014. Our manufacturing facility at Cowley, Oxford, was inspected by the UK Medicines and Healthcare products Regulatory Agency (MHRA) during the second half of 2014, who confirmed continued support of our existing GMP license for investigational product based biologics manufacture. Following an inspection of the Oxford Science Park site in the latter part of 2013 for compliance with the principles of Good Laboratory Practice (GLP), the UK Medicines and Healthcare products Regulatory Agency confirmed in January 2014 that the test facility continued to operate in compliance with OECD Principles. In addition, our analytics test facility continues to be GMP certified for final product release testing.

Our environment

Health and safety

We are committed to protecting the health, safety and welfare of our employees and strive to maintain an effective health and safety culture within the organisation. Our Health and Safety Management System covers all work activities such as the usage of biological, chemical and radioactive materials, and the operation of laboratory equipment.

The Health and Safety Management System is reviewed and updated in order to improve current systems and procedures, adapt to variations in scientific work and reflect changes in legislation. Oxford BioMedica continues to have a first-class safety record. Health and safety issues are represented at Board level by Peter Nolan and are a standing item on the Board's agenda.

Environmental policies

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

Corporate social responsibility

As part of our commitment to the environment, our policies are designed to motivate our staff to be energy conscious and environmentally friendly. The Group's recycling programme continues to function effectively and the majority of our cardboard and office paper is recycled. A summary of our greenhouse gas emissions is set out below. Environmental issues are represented at Board level by the Chief Executive Officer.

Greenhouse Gas Emissions report

The tables on the right show the usage in 2014 and 2013 of energy and water at our two sites in Oxford, UK. We have also estimated our total CO_2 emissions. We have indicated the usage "intensity" by dividing the usage by the average number of employees which is a relevant indicator of the amount of activity undertaken in the business.

The Group's activities have significantly increased during 2014, particularly in manufacturing. The Board will be monitoring environmental measures and performance indicators to ensure that we utilise natural resources as efficiently as possible.

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

2013	Unit	Usage	Usage per employee	CO_2 emission (tonnes)
Electricity	MW hours	3,238	34.1	1,443
Gas	MW hours	1,897	20.0	411
Water supply	Cubic metres	9,355	98.5	3
Other activities (estimated) including waste disposal and travel				440
Total				**2,297**

Charitable giving

The Group did not make any charitable donations in 2014 or 2013.

Human Rights

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

Principal risks and uncertainties

Risk assessment and evaluation is an integral part of Oxford BioMedica's management processes. Many of the Group's risks and uncertainties are common to all development-stage biopharmaceutical companies. Where possible, the Group's strategy and processes are designed to manage and mitigate these risks. The Board has overall responsibility for the Group's systems of risk management and internal control. The management structure of the Group allows the Executive Directors to be closely involved in all material aspects of risk assessment, management and mitigation. The Senior Executive Team meets formally twice-monthly and there are three key sub-committees covering product development, technical development and manufacturing operations which meet monthly. These sub-committees each regularly review the risks in their relevant areas.

Some risks are difficult to mitigate, in particular those related to gene therapy and its efficacy. For other risks, management's experience, planning and vigilance can mitigate the risks to a greater extent, for example those associated with intellectual property and financial risk. The Board members have relevant qualifications and experience, and they have access to external resources where required. The Board meets regularly and frequently enough to ensure that it is fully informed to oversee this activity in a timely manner. The following are the principal risks and uncertainties facing the business.

Intellectual property and patent protection risk

The Group's success depends, amongst other things, on maintaining proprietary rights to its products and technologies and the Board gives high priority to the strategic management of the Group's intellectual property portfolio. However, there can be no guarantee that the Group's products and technologies are adequately protected by intellectual property. Furthermore, if the Group's patents are challenged, the defence of such rights could involve substantial costs and an uncertain outcome. Third-party patents may emerge containing claims that impact the Group's freedom to operate. There can be no assurance that the Group will be able to obtain licences to these patents at reasonable cost, if at all, or be able to develop or obtain alternative technology. Where copyright, design right and/or "know how" protect the Group's products or technology, there can be no assurance that a competitor or potential competitor will not independently develop the same or similar products or technology.

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

Gene therapy risk

The commercial success of the Group's gene therapy products will depend, in part, on their acceptance by the medical community and the public for the prevention and/or treatment of diseases. To date only one gene therapy product has been approved in Europe, and none in the USA. Furthermore, specific regulatory requirements, over and above those imposed on other products, apply to gene therapy and there can be no assurance that additional requirements will not be imposed in the future. This may increase the cost and time required for successful development of the Group's products.

Development risks

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

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

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

Principal risks and uncertainties

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

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

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

(iv) Manufacturing process risk
There can be no assurance that the Group's product candidates will be capable of being produced in commercial quantities at acceptable cost. The Group's LentiVector® platform product candidates use specialised manufacturing processes for which there are only a few suitable manufacturers including the Group's own facility. There can be no assurance that the Group will be able to manufacture the Group's product candidates at economic cost or that contractors who are currently able to manufacture the Group's product candidates will continue to make capacity available at economic prices, or that suitable new contractors will enter the market. Manufacturing processes that are effective and practical at the small scale required by the early stages of clinical development may not be appropriate at the larger scale required for later stages of clinical development or for commercial supply. There can be no assurance that the Group will be able to adapt current processes or develop new processes suitable for the scale required by later stages of clinical development or commercial supply in a timely or cost-effective manner, nor that contract manufacturers will be able to provide sufficient manufacturing capacity when required.

(v) Collaboration and funding risk
Collaborations and licensing are an important component of the Group's strategy to realise value and manage risk. The Group is dependent on collaborative relationships with third parties to facilitate and fund the research, development, manufacture, commercialisation and marketing of products. There is no guarantee that such collaborations and funding will be found. There can also be no assurance that the Group's existing relationships will not be terminated or require re-negotiation for reasons that may be unrelated to the potential of the programme. Circumstances may also arise where the failure by collaborators and third parties, such as contract manufacturers, to perform their obligations in accordance with our agreements could delay, or halt entirely, development, production or commercialisation of our products, or adversely impact our cash flows.

(vi) Regulatory risk
The clinical development and marketing approval of the Group's product candidates, and the Group's manufacturing facility, are regulated by healthcare regulatory agencies, such as the FDA (USA), EMA (Europe), and MHRA (UK). During the development stage, regulatory reviews of clinical trial applications or amendments can prolong development timelines. Similarly, there can be no assurance of gaining the necessary marketing approvals to commercialise products in development. Regulatory authorities may impose restrictions on a product's use or may require additional data before granting approval. If regulatory approval is obtained, the product and manufacturer will be subject to continual review and there can be no assurance that such an approval will not be withdrawn or restricted. The Group's laboratories, manufacturing facility and conduct of clinical studies are also subject to regular audits by the MHRA to ensure that they comply with Good Laboratory Practice (GLP), Good Manufacturing Practice (GMP) and Good Clinical Practice (GCP) standards. Failure to meet such standards could result in the laboratories or the manufacturing site being closed or the clinical studies suspended until corrective actions have been implemented and accepted by the regulator.

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

Longer-term commercialisation risks

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

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

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

Manufacturing operations risk

The Group manufactures clinical study material for its own product development and for third parties. The manufacturing processes for gene and cell therapy products are still relatively immature. There is a risk of contamination or other process failure during the manufacturing process which results in material which has been produced having to be destroyed and re-manufactured at additional cost.

Attraction and retention of key employees

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

Financial risks

(a) Product liability and insurance risk

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

(b) Foreign currency exposure

The Group records its transactions and prepares its financial statements in pounds sterling, but some of the Group's income from collaborative agreements and patent licences is received in US dollars. The Group also incurs a proportion of its expenditure in US dollars and the Euro. The Group's cash balances are predominantly held in pounds sterling, although the Group's Treasury Policy permits cash balances to be held in other currencies in order to hedge foreseen foreign currency expenses. To the extent that the Group's foreign currency assets and liabilities in the longer term are not so well matched, fluctuations in exchange rates between pounds sterling, the US dollar and the Euro may result in realised and unrealised gains and losses on translation of the underlying currency into pounds sterling that may increase or decrease the Group's results of operations and may adversely affect the Group's financial condition, each stated in pounds sterling. In addition if the currencies in which the Group earns its revenues and/or holds its cash balances weaken against the currencies in which it incurs its expenses, this could adversely affect the Group's future profitability.

(c) Continuing cashflow

The Group continues to incur significant expenses and capital expenditure as it builds a revenue generating business and develops its portfolio of development products. The Directors have considered the cash position in the context of going concern and their conclusions are set out in the Chief Financial Officer's review (page 37), the Directors' report (page 74) and in Note 1 to the consolidated financial statements (page 85).

The Board of Directors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01. Nick Rodgers (56)

Non-Executive Chairman

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

Committee membership:
— Chairman of Nomination and Audit Committees

Mr Rodgers is a former investment banker with considerable experience in the life sciences sector. He is currently Chairman of SEHTA Enterprises Limited, the commercial arm of South East Health Technologies Alliance and a Director of Productiv Limited, an automotive technology enabler. Until January 2013 he was Chief Executive Officer of Ipso Ventures plc having been Head of Life Sciences and joint-Head of Corporate Finance at Evolution Beeson Gregory until December 2003. Mr Rodgers qualified as an accountant with Ernst & Young.

02. John Dawson (55)

Chief Executive Officer

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

Committee membership:
— none

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

03. Tim Watts (57)

Chief Financial Officer

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

Committee membership:
— none

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

04. Peter Nolan (62)

Chief Business Officer

Appointment:
— appointed a Director in May 2002

Committee membership:
— none

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

05. Dr Andrew Heath (66)

Deputy Chairman and Senior Independent Director

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

Committee membership:
— Audit Committee

— Remuneration Committee

— Nomination Committee

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

06. Dr Paul Blake (66)

Chief Development Officer

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

Committee membership:
— none

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

07. Martin Diggle (52)

Non-executive Director

Appointment:
— appointed a Director in October 2012

Committee membership:
— Remuneration Committee

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

The Board

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

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

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

— The Group's strategy;

— The financial statements and accounting policies;

— Acquisitions, disposals and capital expenditure;

— Financing and capital structure;

— Corporate governance;

— Internal control and risk management;

— Board membership and remuneration;

— Appointment and remuneration of auditors.

The Board also takes a close interest in Quality and Health and Safety matters and has these as standing items on its meeting agendas. Each Director is provided with an appropriate induction on appointment, and is supplied on a timely basis with financial and operational information sufficient for the Board to discharge its duties. Certain responsibilities are delegated to three board committees – the Audit, Nomination and Remuneration Committees. These Committees operate under clearly defined terms of reference which are disclosed on the Group's website. Reports from the Audit and Nomination Committees are included in this section and the Directors' remuneration report is on pages 52 to 71 incorporating the Remuneration Committee report.

The current Board members are set out on pages 44 to 45. On 1 September 2014 Paul Blake, who had been a non-Executive Director since 2010, was appointed as Chief Development Officer. He remains a Board member. There are now four Executive Directors and three non-Executive Directors. The Chairman, Nick Rodgers, met the independence criteria recommended by the Code when he was appointed in May 2011. Andrew Heath, the Senior Independent Director, is considered to be independent. Martin Diggle is a founder of Vulpes Investment Management which, through its Vulpes Life Sciences Fund, is the Group's second largest investor and as such he is not considered independent under the Code. Following the recent change in Dr. Blake's status, the Group is therefore currently not in compliance with provision B.1.2 of the Code which recommends that a small company, defined as one which is not in the FTSE350, should have at least two independent non-Executive Directors excluding the Chairman.

On 29 May 2014 Mr Rodgers advised the Board that he intends to to step down as Chairman when an appropriate replacement has been identified. Since the announcement in October 2014 of the new Novartis contracts, Dr Heath in his capacity as Senior Independent Director has appointed a search firm and initiated a process to identify a new Chairperson. Once the new Chairperson is in place the Company will appoint an Audit Committee Chairperson and other non-Executive directors as necessary to restore compliance with the Code.

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

Board meetings
The Board meets regularly with meeting dates agreed for each year in advance. During 2014 there were 10 regular Board meetings. The attendance of individual Directors at Board and Committee meetings was as follows:

	Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Paul Blake[1]	10	10			3	3	1	1
John Dawson	10	10					1	1
Martin Diggle	10	9			5	5		
Andrew Heath	10	10	3	3	5	5	1	1
Peter Nolan	10	10						
Nick Rodgers	10	10	3	3			1	1
Tim Watts	10	10						

1. Paul Blake stepped down from the Remuneration and Nomination Committees following his appointment as Chief Development Officer on 1 September 2014

In addition to the above regular meetings, the Board (or an appointed sub-committee of the Board) met on a further seven occasions to consider specific ad hoc matters including the approval of the 2013 financial statements and the interim 2014 financial results, and matters relating to the June 2014 fundraise and repayment of the Vulpes loan facility.

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

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

At the 2015 annual general meeting Andrew Heath, Peter Nolan and Tim Watts will retire from the Board and stand for re-election in accordance with article 38 of the Company's articles of association.

Review of performance
Following on from the comprehensive review of Board performance in 2012, the Chairman and Deputy Chairman carried out an informal review in January 2014. The Company Secretary prepared an analysis of the Company's governance performance as compared with the requirements of the Code with input from the auditors. The Board collectively reviewed and discussed these inputs in March 2014 and concluded that the Board's composition, modus operandi and dynamics are appropriate for the Group at its stage of development and have worked well during 2013. The Chairman and Senior Independent Directors have continued to monitor the Board's performance throughout the year and a number of minor amendments to Board processes have been actioned.

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

- Vulpes Life Sciences Fund, the Company's second largest investor, is represented on the Board by Martin Diggle;
- Chief Executive Officer and Chief Financial Officer meetings with major shareholders – the Company maintains contact with other major shareholders and meets with them as required;
- Chairman and Senior Independent Director meetings with shareholders – the Chairman and Senior Independent Director have meetings, as required, with major shareholders and the Senior Independent Director is available to shareholders if concerns cannot be resolved through normal channels;
- Announcement of preliminary results (10 April 2014), interim results (28 August 2014) and interim management statements (13 May 2014 and 3 November 2014) – the preliminary and interim results announcements are followed with an analyst briefing and simultaneous conference call which can be accessed by all shareholders;
- Annual report – the 2013 annual report was published on 2 May 2014;
- Annual General Meeting – this was held in London on 3 June 2014. A number of shareholders attended the meeting, the results of which were announced on the same day;
- Announcements of material developments through the London Stock Exchange and other news services;
- The Company works closely with the Company's brokers and PR agency and regularly discusses Group matters with current and potential investors;
- Group website – the website contains details of the Group's activities as well as copies of regulatory announcements and press releases, and copies of the Group's financial statements. Investors and others can subscribe to an e-mail alert service which provides notifications of announcements;
- Social media – the Group also uses Twitter to alert followers to news which is relevant to the Group.

Management
Management is conducted by the Executive Directors who, together with Kyriacos Mitrophanous and James Miskin, form the Senior Executive Team (SET). The SET meets formally every two weeks and its agenda covers the full range of activities of the Group, including financial performance, organisational and employment matters, and Health & Safety.

There are three SET sub-committees covering the major business operational areas. These committees meet monthly and are attended by SET members and other relevant senior managers from the business. These sub-committees are:

- Product Development Committee – covering the development of new gene and cell therapy products from initial concept through to clinical development;
- Technical Development Committee – covering the development of new and improved assays and production and other processes, including cell and vector engineering;
- Manufacturing Operations Committee – covering the manufacture of clinical batches.

Within their area of responsibility these committees cover objective and target setting, monitoring performance against targets, ensuring compliance with GxP and other relevant requirements, monitoring expenditure against budget and risk management.

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

Board committee reports

Audit Committee report

The Audit Committee comprises two non-Executive Directors: Nick Rodgers (Chairman) and Andrew Heath.

The Board considers that both members of the Audit Committee possess relevant financial experience. However provision C.3.1 of the Code states that a company Chairman should not chair the Audit Committee. When the composition of Board and its committees was re-organised in May 2011, Nick Rodgers became Group Chairman and retained the chair of the Audit Committee. The Board recognises that this arrangement is not in compliance with the Code but the situation will change when the new Chairperson is appointed and Nick Rogers resigns from the Board. It is envisaged that the new Chairperson will appoint one or more new non-Executive Directors, one of whom would be appropriately qualified to chair the Audit Committee.

The primary duties of the Audit Committee, as set out in its written terms of reference which is available on the Group's website, are to:

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

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

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

Provision C.3.5 of the Code states that the Audit Committee should review the effectiveness of the Group's internal audit function. The Audit Committee considers that, given the size of the Group, it is unnecessary for it to have an internal audit function. However, the Committee regularly reviews this at its meetings with the external auditors.

The Audit Committee met three times in 2014 – first, during the preparation of the 2013 financial results in March 2014; secondly immediately prior to the announcement of the 2013 preliminary results in April 2014, and finally in August 2014 before the 2014 interim results announcement which included a review of the 2014 audit strategy. The Chief Executive Officer, Chief Financial Officer and the external auditors attended all three meetings at the Committee's invitation, and the Chief Executive Officer attended the August meeting. At the end of each meeting the Committee meets with the auditors without the executive team members.

The Directors' assessment of the Group's going concern status, and its disclosure in the 2013 Annual Report, was a key topic for the March and April 2014 Audit Committee meetings. Also discussed at these first two meetings were the new disclosures required by the UK Government's Narrative Reporting Regulations. The other key topic at all three meetings was that of revenue recognition relating to the Novartis contract.

At the March 2014 meeting, the auditors presented their report to the Audit Committee in respect of their audit for the year ended 31 December 2013. The key issues highlighted for discussion at this meeting by the auditors were going concern, recognition of revenues arising from the 2013 Novartis contract and the reporting changes required by the Narrative Reporting Regulations which in particular require the Annual Report to include a strategic report and a significantly enhanced remuneration report. The 2012 version of the UK Corporate Governance Code also requires the Directors to make a 'fair, balanced and understandable' statement and the audit committee to report on the 'significant issues' that it considered in relation to the financial statements and how those issues were addressed. These matters were discussed in detail at the March meeting, and reviewed again at the April meeting, immediately prior to the 2013 results announcement.

Regarding going concern, the Group had prepared detailed cash flow forecasts for various scenarios. Although at the time of these discussions and on the date the 2013 preliminary results were announced there were preparations in hand for the fundraise which completed successfully in June 2014, there was no guarantee that the fundraise would be successful. It was therefore agreed that the going concern statement in the preliminary announcement and the Annual Report would explain that the existing cash resources including the Vulpes loan would last only until the third quarter of 2014. However as at that time the Directors had reasonable confidence that the fundraise would be successful, they also made the statement that they had confidence that they would be able to secure sufficient cash inflows to allow the Group to continue for the foreseeable future, being not less than 12 months from the date of the financial statements.

At the March and April meetings the Committee also discussed the recognition of Novartis revenues with the auditors and concluded that the revenues were appropriately recorded in the 2013 financial statements. The Committee also satisfied itself that the draft 2013 Annual Report as a whole properly reflected the activities of the business. More specific attention was given to the new strategic report and the remuneration report, to ensure that these were in compliance with the new regulations. The Committee presented the draft 2013 Annual Report at the 1 April 2014 Board meeting, at which the Board confirmed that, taken as a whole, the annual report and accounts gave a fair, balanced and understandable account of the business.

The primary matters for discussion at the August 2014 meeting were the interim results for 2014 and the audit strategy for 2014. Going concern was discussed but ,as the Group had recently concluded the £20 million fundraise and at that time had reasonable expectations of completing further contracts with Novartis, it was not considered to be an issue for the interim results. Recognition of Novartis revenues for the first half of 2014 was discussed and it was concluded that the interim results fairly reflected the revenue position.

The 2014 Audit Strategy presented by the auditors to the August meeting identified the following key areas of audit risk – going concern, accounting for the potential Novartis contracts, the completeness of clinical trial accruals, the disclosure of the Vulpes loan draw-down and repayment, and management override of controls (it should be noted that auditing standards specify that there is a non-rebuttable significant risk on all audit engagements that management could override controls to manipulate results or releases to the market). The August meeting also included a review of the Group's treasury policy and a review of its internal control procedures.

The 2014 Audit Strategy was updated by the auditors in January 2015 to reflect the Novartis contracts announced in October 2014.

The Committee met in February 2015 to discuss PricewaterhouseCoopers' LLP (PwC) report and the annual report and financial statements for the year. The main areas of focus highlighted by PwC arising from their work were the recognition of the upfront payments received from Novartis in October 2014 and going concern. It was agreed that it is appropriate to recognise $7.7 million of the Novartis upfront receipts in the 2014 financial statements. This is discussed further in Note 2 to the financial statements. It was also agreed that no emphasis of matter statement is required relating to going concern. The Committee reported its discussion to the full Board at its meeting on 5 March 2015, along with the draft 2014 Annual Report. The Board confirmed that, taken as a whole, the Annual Report and accounts give a fair, balanced and understandable account of the business.

PwC have been auditors to the Company and the Group since 1997. The Audit Committee has reviewed the relationship with the auditors and is satisfied with their effectiveness and that they remain independent. The review of audit effectiveness included discussions with the Group's Chief Executive Officer and Chief Financial Officer, an assessment of subsequent events which might have exposed shortcomings in the audit process, and the direct experience of the Audit Committee members with the audit team. The review also included the terms of engagement and audit fees. There are no contractual obligations restricting the Group's choice of external auditor.

Following the 2014 audit, the Committee continues to give careful consideration to audit re-tendering, and has had a number of discussions on the matter, including with PwC. Given the significant ongoing evolution of the Group's business and the significant time commitment on senior management that an audit tender process would require, and also recognising that there have been significant changes in PwC's audit team – a new Senior Statutory Audit partner with effect from the 2013 audit and a new audit manager – the Committee has concluded that it would defer an audit tender process for a further 12 months.

Following this assessment, the Audit Committee has recommended to the Board that PwC should be reappointed for the 2015 audit and this will be recommended to shareholders at the 2015 Annual General Meeting.

Under the Group's policy on non-audit services, the Audit Committee is advised of and approves all non-audit services provided by the Group's auditors. As part of this approval process, the Audit Committee ensures that the provision of non-audit services will not impact the auditors' objectivity and independence. During 2014, non-audit services provided by PwC included corporate finance services connected with the fundraise prospectus, and tax compliance and advisory services. The fees payable to PwC in respect of services provided during 2014 are set out in Note 7 of the consolidated financial statements.

Internal control
The Directors are responsible for Oxford BioMedica's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. 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 2014 was prepared by the Chief Financial Officer and the Financial Controller and discussed with the Chairman of the Audit Committee. The Audit Committee also discussed internal controls at its August 2014 meeting and reported its conclusions to the Board and considers that there are no matters that require reporting to shareholders.

Nomination Committee report
The Nomination Committee leads the process for making appointments to the Board, and comprises the non-Executive Directors and the Group Chairman, who is chairman of the Nomination Committee. The Nomination Committee met several times in 2014, both formally and on an *ad hoc* basis to agree the process for the appointment of a new Chairperson and Audit Committee chair. As a result of this, a search firm has been appointed and the Committee is regularly updated as to progress. In addition, the Committee met to discuss the appointment of Paul Blake as Chief Development Officer.

Share capital
The information about the share capital required by the takeover directive is in the Directors' report on page 72.

Directors' remuneration report

for the year ended 31 December 2014

Introduction

This report is on the activities of the Remuneration Committee. It sets out the remuneration policy and remuneration details for the Directors of the Group. This report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report contains:

— The Annual Statement from the Remuneration Committee chair

— The Directors' remuneration policy, setting out the Group's proposed policy for the next three years

— The annual report on remuneration showing payments and awards made to the Directors and explaining the link between company performance and remuneration for the 2014 financial year

The annual statement and the report on 2014 remuneration are subject to an advisory vote at the Company's 2015 AGM. The remuneration policy was subject to a binding shareholder vote at the 2014 AGM and after that, at least every third year. However, the Remuneration Committee is proposing some amendments to the policy to take effect for 2015 and these will need to be submitted for shareholder approval at the 2015 AGM.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the regulations. The parts of the report that are subject to audit are indicated. The statement from the chair of the Remuneration Committee and the policy report are not subject to audit.

Annual statement from the Remuneration Committee chair

(not subject to audit)

Dear Shareholder

I am pleased to introduce our Remuneration report for the 2014 financial year.

Business performance and incentive impact

The Board of Oxford BioMedica is committed to a responsible approach in respect of Director pay. Throughout the year the Remuneration Committee has continued to apply the remuneration policy prudently with a strong alignment to shareholders.

In February 2015 the Committee met to consider the achievement of 2014 objectives and the annual bonus award for 2014.

The performance of the business in 2014 is set out in detail in the strategic report from pages 20 to 43 and the performance against corporate objectives is set out on page 64 of this Remuneration report. Taking all of these factors into account the Committee decided to award the Executive Directors bonuses of 94.25% of the maximum which was 100% of base salary for 2014. The 2014 bonuses will be paid 50% in cash and 50% in deferred share awards. Further details are provided on page 65 with regards to how performance under the annual bonus targets translated into bonus payment.

The LTIP awards made in April 2011 did not meet the threshold total shareholder return (TSR) target against a peer group of thirteen companies and lapsed in April 2014. The LTIP awards granted in 2012, which are based on TSR performance to June 2015, are expected to meet the vesting target based on the share price at 31 December 2014 of 5.25p.

Paul Blake was appointed as Chief Development Officer on 1 September 2014. The Committee reviewed the appropriate package on his appointment and details are provided on page 64.

Proposed changes in executive remuneration for 2015

In December 2014 the Committee commissioned the compensation and benefits practice of Deloitte LLP to conduct a review of remuneration for the Executive Directors and also non-Executive Directors' fees. In considering the overall remuneration framework, the Committee took account of the strong performance of the Executive Directors and the continued transformation of the business, together with benchmark remuneration data provided by Deloitte LLP for companies of a similar size and complexity.

Given the Group's projected growth over the next few years, it is important that the Group continues to be able to recruit and retain the best candidates possible. We are now competing against much larger businesses some of whom are able to commit greater financial resource to recruitment and remuneration, and who can offer sophisticated benefit and remuneration packages. Due to the financial constraints under which the Group operates, it is very important that remuneration for Executive Directors and senior management is heavily performance driven. Whilst this view has always been held, it has been highlighted that, currently, the maximum potential value that could be delivered via the annual and long term incentive arrangements for exceptional performance falls behind the market and our competitors.

As a result of this review, and following consultation with, and support from major shareholders, the Committee proposes the following remuneration changes for 2015, subject to shareholder approval of a new remuneration policy at the AGM:

Base salary increases:

— John Dawson from £330,000 to £335,000 (1.5% increase)

— Peter Nolan from £183,000 to £205,000 (12% increase)

— Tim Watts from £210,000 to £215,000 (2.4% increase)

— Paul Blake no change (as his base salary was reviewed prior to his appointment in September 2014 upon his appointment as an Executive Director)

Salaries for the CEO and CFO have been set relative to the wider workforce (average salary increases across the business are currently c2.5%). However, the Committee is proposing to increase the base salary for Peter Nolan, Chief Business Officer, in 2015 to recognise that he now has a significantly different role to the one he originally joined the Board to fulfil, and against which his salary has previously been set. Further details are included on page 70.

Bonuses - the maximum bonus for Executive Directors will increase to 125% of base salary (previously 100%). The Committee considers this approach to be appropriate for driving the right behaviours amongst management, increasing the potential value that can be delivered annually, but only upon achievement against carefully considered performance measures. Alongside this, the Committee intends to introduce a more balanced scorecard approach in respect of performance measures. 80% of the potential maximum annual bonus will continue to be subject to achievement of a combination of financial, strategic and corporate measures, whilst the remaining 20% of awards will now be based on challenging personal objectives. The annual bonus will continue to be operated in conjunction with the deferred share plan. We will also update the annual bonus and deferred bonus plan rules to include malus and clawback provisions in line with the new UK Corporate Governance Code.

Pensions - the Committee is committed to providing funding for retirement and is proposing to increase the maximum employer pension contributions for Executive Directors to 15% of base salary (previously 10%).

LTIPs – from 2015 onwards, the maximum award will be 100% of base salary. The vesting criteria will be based on the share price at date of award, with 15% p.a. growth (i.e. 52.1% over 3 years) giving 25% of the award and 25% p.a. growth (i.e. 95.3% over 3 years) giving 100%, with a linear increment between 25% to 100%. There will be a performance underpin, such that the awards would only vest to the extent that the Committee considers that the overall performance of the business across the period justifies it. The share price will also be averaged across a three month period to avoid rewarding for short term spikes in performance. Clawback and malus provisions will apply to the awards.

Shareholding guidelines – in line with best practice, the Group is proposing to introduce shareholding guidelines, whereby Executive Directors will be expected to build up a shareholding of one times salary. Further to this, under new LTIP grants, Executive Directors will be expected to retain at least 50% of any shares delivered net of tax and social security deductions.

We consider that all of the above proposed changes are necessary to the provision of remuneration arrangements that meet the Group's underlying remuneration policy. The increased emphasis on variable pay as part of the total remuneration package will ensure that the interests of the Executive Directors' are aligned to those of shareholders. In addition to this, by aligning the remuneration packages offered to Executive Directors more closely with typical market practice we should be better positioned to attract and incentivise high calibre individuals throughout the organisation.

The Board has also reviewed the arrangements for all grades across our business to ensure we have competitive arrangements in place to manage the risk of losing our best people and to help us in our very real need to recruit to support our growth. As part of this review it was evident that we need to update our incentive arrangements and adopt a more focused approach on how we use share awards. At the 2015 AGM, the following share plans will therefore be put to shareholders for approval:

— The introduction of a new Sharesave Scheme for all employees so that we can extend share participation across all employees in a way which is effectively risk-free for them but provides a sense of ownership throughout the business

— The introduction of a new Group Share Option Plan which will provide additional flexibility in recruiting new employees below Board level to the Group

— Our current Long Term Incentive Plan expires in 2017 and we will therefore be putting a new plan to shareholders at the 2015 AGM. This new plan will be drafted to reflect current best practice, including the introduction of malus and clawback provisions in line with the new UK Corporate Governance Code

— With regard to the deferral element of the bonus, previously these nil cost options would be over "market purchased" shares. In order to ensure that the Deferred Bonus Plan remains cost effective and prevent cash flow risks at the time of grant and vesting, going forward, and subject to shareholder approval at the AGM, it is proposed to introduce flexibility to satisfy these awards using "new issue" shares

— All plans will continue to include a dilution limit of 10% over 10 years

The Committee recognises the expectations of our shareholders on executive pay and we were pleased that the 2013 Directors' remuneration report received a 90.1% vote in favour at the last AGM and the policy report a 99.9% vote in favour. Shareholders are invited to approve the Directors' remuneration policy, Annual report on remuneration and this Annual statement, and the new executive and all-employee share plans at the AGM.

Andrew Heath
Chair, Remuneration Committee

Remuneration Committee role and members
The responsibilities of the Remuneration Committee are set out in its terms of reference and include:

— Recommending to the Board the policy and framework for the remuneration of the Executive Directors and senior management. The remuneration of the non-Executive Directors are a matter for the Chairman

— Approval of individual remuneration packages for Executive Directors

— Approval of annual performance incentive plans and bonuses payable

— Approval of the Group's Long Term Incentive Plan (LTIP) for Executive Directors and senior management, and awards granted under the plan

— Approval of options granted to all employees under the Group's share option plan

The Remuneration Committee members are currently Andrew Heath (interim Chairman) and Martin Diggle. Prior to his appointment as Chief Development Officer in September 2014, Paul Blake, who had until that time been a non-Executive Director, was Chairman of the Remuneration Committee. On his appointment, he stepped down from the Remuneration Committee. At the invitation of the Committee Chairman and on an agenda-driven basis, other Directors have been invited to attend meetings.

Remuneration Committee activities during 2014
During 2014 the Committee met five times. The main activities and decisions were as follows:

— In February the Committee approved a number of matters which were subsequently disclosed in the 2013 Directors' remuneration report. These included:

  — the award of bonuses of 30% of salary to the three Executive Directors for 2013, half of which was paid in cash and the other half to be settled through deferred shares vesting in three equal instalments on the first three anniversaries of the awards

  — the implementation of the Deferred Bonus Plan under which the deferred bonus shares would be settled. Each award has been granted in the form of a nil-cost option. Shares to satisfy awards have been acquired in the market by the trustee of the Oxford BioMedica Employee Benefit Trust

  — salary increases of £10,000 p.a. each were awarded to Peter Nolan and Tim Watts

— In June the Committee approved the 2014 LTIP awards to Executive Directors and other senior managers

— In June, to approve share option awards to employees who are not eligible for the LTIP

— In August the Committee met to approve Paul Blake's remuneration which took effect from 1 September on his appointment as Chief Development Officer. Dr Blake took no part in this meeting

Directors' remuneration policy
(not subject to audit)

The policy underlying the Executive Directors' incentive structure is to:

— Promote the long term success of the Group, with transparent and stretching performance conditions, which are rigorously applied

— Provide appropriate alignment between the Group's strategic goals, shareholder returns and executive reward; and

— Have a competitive mix of base salary and short and long term incentives, with an appropriate proportion of the package determined by stretch targets linked to the Group's performance

Policy table

(in effect from the 2015 AGM)

The policy table set out in the Directors' remuneration report in the 2013 Annual Report was approved by shareholders at the 2014 AGM. As described above in the annual statement from the Remuneration Committee Chairman, in December 2014/January 2015, the Committee carried out a review of remuneration which has resulted in changes to the remuneration policy. These changes are set out in the policy table below.

Component and purpose	Operation
Executive Directors	
Base salary To provide a base salary which is sufficient to attract and retain Executives of a suitable calibre.	Base salaries are initially set by reference to market information at the time of appointment and taking into account the previous package of the new Director. Base salaries are normally reviewed annually taking into account: – underlying Group performance; – role, experience and individual performance; – competitive salary levels and market forces; and – pay and conditions elsewhere in the Group. Any changes are normally effective from 1 January.
Benefits To provide benefits consistent with the role and which are similar to comparable roles in other companies.	Benefits currently cover only medical insurance. Premia are paid monthly. Other benefits may be provided based on individual circumstances. These may include, for example, travel expenses.
Pension To provide funding for retirement.	The Group operates a defined contribution scheme for all employees including Executive Directors. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may be permitted to take a cash supplement instead of contributions to a pension plan.
Sharesave Scheme To create alignment with the Group and promote a sense of ownership.	Executive Directors are entitled to participate in a tax qualifying all employee Sharesave Scheme under which they may make monthly savings contributions over a period of three or five years linked to the grant of an option over the Company's shares with an option price which can be at a discount of up to 20% to the market value of shares at grant.

Maximum potential and payment at threshold	Performance targets and metrics	Changes
While there is no maximum salary, increases will normally be in line with the typical level of salary increase awarded (in percentage of salary terms) to other employees in the Group. Salary increases above this level may be awarded in certain circumstances, such as, but not limited to: – where an Executive Director has been promoted or has had a change in scope or responsibility; – an individual's development or performance in role (e.g. to align a newly appointed Executive Director's salary with the market over time); – where there has been a change in market practice; or – where there has been a change in the size and/or complexity of the business. Such increases may be implemented over such time period as the Committee deems appropriate.	Not applicable	None
Insurance premia are determined by the policy provider. There is no predetermined maximum but the totals are reviewed annually by the Remuneration Committee.	Not applicable	None
Executive Directors may receive a defined pension contribution up to 15% of base salary. Executive Directors may be permitted to take a cash supplement instead of contributions to the pension plan at the same level.		The maximum pension opportunity has increased from 10% of base salary to 15% of base salary.
Participation limits are those set by the UK tax authorities from time to time.	Not subject to performance measures in line with HMRC practice.	To be introduced in 2015 subject to shareholder approval.

Annual bonus

To encourage a market competitive package and to incentivise delivery of the Group's objectives.

Delivery of 50% of any bonus payment via deferred shares is intended to align the incentive package with shareholders' interests.

Annual bonuses are determined by the Remuneration Committee.

50% of the bonus is delivered as cash. For up to two years following the payment of an annual bonus award, the Committee may require the repayment of some or all of the award in the circumstances set out at the foot of this table.

50% of the bonus is delivered through deferred shares structured as nil cost options which vest in three equal instalments on the first, second and third anniversaries of the award. The deferred shares are not subject to further performance targets although malus provisions apply which gives the Remuneration Committee the right to cancel or reduce unvested awards in the circumstances set out at the foot of this table. Furthermore, for up to one year following the vesting of the first instalment of deferred shares, the Committee may require the repayment of some or all of the award in the circumstances set out at the foot of this table. Deferred share awards may be made under an HMRC EMI plan where appropriate. Bonus awards are discretionary and can be removed or adjusted at the Committee's discretion.

Dividend equivalents may be attached to the nil cost options over the deferral period.

Component and purpose	Operation

Executive Directors

Long Term Incentive Plan (LTIP)

To augment shareholder alignment by providing Executive Directors with longer term interests in shares whilst requiring challenging performance before LTIP awards vest.

At the discretion of the Remuneration Committee, annual grants of conditional nominal cost share options which vest after three years on the achievement of specified performance targets.

Awards granted under the LTIP may include dividend equivalents earned between the grant and vesting date.

The Committee has the right to reduce, cancel or impose further conditions on unvested or unexercised awards in the circumstances set out at the foot of this table.

For up to two years following the payment of a LTIP award, the Committee may require the repayment of some or all of the award in the circumstances set out at the top of page 60.

Awards are made under an HMRC EMI plan where appropriate.

Non-Executive Directors

Non-Executive Directors' fees

To compensate non-Executive Directors for their services to the Group.

Non-Executive Directors' fees are determined by the Group's Chairman at the time of appointment of a Director. The Chairman's fees are set by the other non-Executive Directors.

Non-Executive Directors fees are paid in cash in 12 equal monthly instalments through the Group's payroll system.

The maximum bonus opportunity will not exceed 125% of base salary.	The objectives and performance metrics are decided annually by the Remuneration Committee taking into account the strategic needs of the business. Given the nature of the business, these objectives and metrics may change significantly each year. Deferred shares will only vest if the participant is still employed at the 1st anniversary of the award. There is no minimum bonus required if threshold performance is not met.	The maximum bonus opportunity has increased from 100% of base salary to 125% of base salary.

Maximum potential and payment at threshold	Performance targets and metrics	Changes
The normal maximum award is 100% of base salary in respect of a financial year. Under the share plan rules the overall maximum opportunity that may be granted in respect of a financial year is 200% of base salary. The normal maximum award limit will only be exceeded in exceptional circumstances such as the recruitment of an Executive Director.	For 2012 and 2013 awards, the performance condition has been share price growth. At the time of grant a threshold share price target is set for the 3rd anniversary. No options vest if this share price target is not achieved. This has been chosen as the most direct way of aligning the Executive Directors' interests with those of shareholders. For the achievement of threshold growth performance, no more than 25% of the award will vest and 100% of the award will vest for maximum share price growth performance. Below threshold performance, none of the award will vest. The 2011 awards had performance conditions linked to a) Total Shareholder Return over a three year period compared with a peer group of comparable companies and b) delivery of specific objectives. These performance conditions will be assessed in April 2014 and the level of vesting determined at that point. The Remuneration Committee will consider the most appropriate performance conditions when awarding any future LTIP grants.	The normal maximum award in respect of a financial year has increased from 30% of base salary to 100% of base salary.
Fees would normally be reviewed at the start of each 3 year period of appointment. However, increases in non-Executive Directors' fees may be made at other times and would normally be dependent on the Director taking on additional responsibility, such as chairing a board committee. Any changes to non-Executive Director fees require approval form the Group's Chairman. Changes to the Chairman's fees require approval from other non-Executive Directors. Non-Executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.	Not applicable	None

Notes to the policy table

Circumstances in which malus and/or clawback may apply

— A material misstatement of the Group's financial results;

— An error in the information or assumptions on which the award was granted or vests including an error in assessing any applicable performance conditions;

— A material failure of risk management by the Group;

— Serious reputation damage to the Group; or

— Material misconduct on the part of the participant.

Performance targets and metrics

Performance targets for the annual bonus are set by the Remuneration Committee after taking into account the strategic needs of the business. A key component of the Group's strategy is to develop gene and cell therapy products from pre-clinical proof of concept through to the end of Phase I or Phase II clinical studies before partnering or out-licensing. Targets for a particular year are therefore likely to include specific product development targets depending on the stage of development of each opportunity. The annual objectives are also likely to include targets related to generating recurring revenues such as manufacturing or development services to third parties. The Committee considers that the performance targets for the annual bonus are commercially sensitive and that it would be detrimental to disclose them in detail before the start of the financial year.

From 2012 to 2014, the performance metric for the LTIP was shareholder return over the three year vesting period. Since Oxford BioMedica is not yet profitable and does not pay dividends, the simplest measure for shareholder return is share price growth. When making a LTIP grant, the Remuneration Committee takes into account the share price at the date of grant and specifies a target range for the share price. If, on the third anniversary, the share price is below the lower end of the range, all LTIP awards will lapse without vesting. At the lower end of the range a specified percentage, currently 25%, of the awards will vest and at the top end of the range 100% of the awards will vest. The target share price range is disclosed when the awards are granted. The Remuneration Committee at its discretion may change the LTIP performance metrics for future grants to ensure that the most appropriate targets are set for the Group's situation at the time.

The Committee retains the ability to adjust or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the Share Option Scheme, LTIP and Deferred Bonus Plan.

Differences in remuneration policy for all employees

All employees receive a base salary and are entitled to participate in benefits including the Group's defined contribution pension scheme to which the Group contributes.

Executive Directors, senior managers and certain other staff receive annual bonuses. The maximum bonus potentially receivable varies between the participating employees. 50% of the Executive Directors' bonuses are delivered by deferred shares whereas all other staff receive 100% of their bonuses in cash.

Executive Directors and certain senior managers participate in the LTIP but not the Share Option Scheme. All other staff are eligible to participate in the Group's Share Option Scheme.

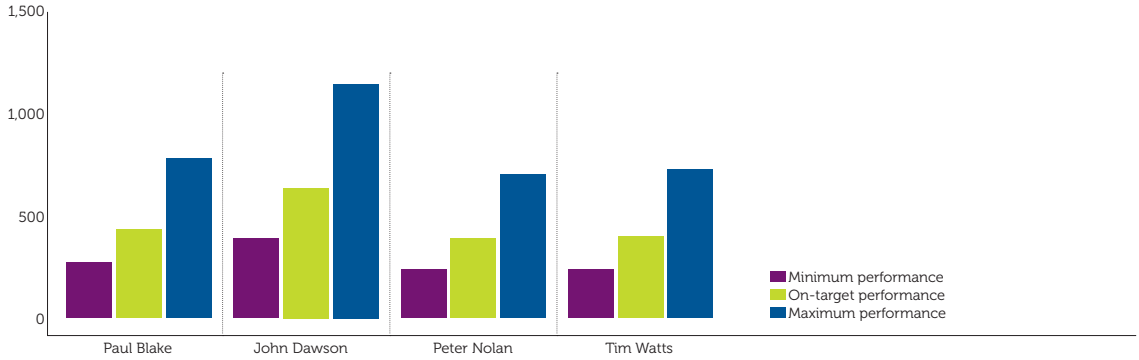
Statement of consideration of employment conditions elsewhere in the Group

The Chief Executive Officer determines any salary increases and bonuses for all employees other than the Executive Directors. The Group participates in an annual benchmarking exercise across the UK Biotech sector which covers the majority of staff and which informs the decision making process. The Chief Executive Officer discusses the overall increase in payroll cost and the total amount to be paid in bonuses with the Chair of the Remuneration Committee before implementing the salary increases and bonuses.

The Remuneration Committee considers the pay and employment conditions of all other employees when setting the policy for Directors' remuneration. The Remuneration Committee has not consulted with other employees when preparing the policy for Directors' remuneration.

Total remuneration opportunity

The total remuneration for each of the Executive Directors that could result from the proposed remuneration policy in 2015 under three different performance levels is shown below.



Remuneration of Executive Directors £'000

Component and purpose	Fixed pay	Annual Bonus (including any amount deferred under the DBP)	LTIP
Minimum performance	Fixed elements of remuneration only – base salary (being the proposed salary for 2015, benefits and pension).	No bonus.	No LTIP vesting.
On-target performance		62.5% of salary awarded for achieving target performance.	25% of maximum award vesting (equivalent to 25% of salary) for achieving target performance.
Maximum performance		125% of salary awarded for achieving maximum performance.	100% of maximum award vesting (equivalent to 100% of salary) for achieving maximum performance.

Approach to recruitment remuneration

Should it become necessary to recruit a new Executive Director, the Committee would negotiate the remuneration package of the new Director from the same elements described above in the policy table as are applied to existing Directors. The Committee would determine the individual components and overall package in the light of prevailing market conditions, remuneration of other Executive Directors, the calibre of the new Director and the previous package of the new Director. The remuneration package of the new Director will be subject to the principles and limits referred to below:

- Base salary will be set at a level appropriate to the role and the experience of the Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate
- Pension and benefits will be provided in line with the above policy
- The Committee will not offer non-performance related incentive payments (for example a "guaranteed sign-on bonus")
- Others elements may be included in the following circumstances:
  - an interim appointment being made to fill a Director role on a short-term basis
  - if exceptional circumstances require that the Chairman or a non-Executive Director takes on an executive function on a short-term basis
  - if a Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis

— if the Director will be required to relocate in order to take up the position, it is the Group's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee

— The Committee may also alter the performance measures, performance period and vesting period of the annual bonus, Deferred Bonus Plan or LTIP, subject to the rules of the Deferred Bonus Plan and LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the following Directors' remuneration report

— The maximum level of variable remuneration which may be granted (excluding "buyout" awards as referred to below) is 325% of salary

Any share awards referred to in this section will be granted as far as possible under the Group's existing share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Compensation for the forfeit of any award under arrangements with a previous employer would be considered on a case-by-case basis but would only be paid in exceptional circumstances. The Committee will generally seek to structure such "buyout" awards or payments on a like for like basis to the remuneration arrangements forfeited. Any such payments or awards are limited to the expected value of the forfeited awards. Where considered appropriate, such special recruitment awards will be liable to forfeiture or "malus" and/or "clawback" on early departure.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees for new non-Executive Directors will be determined by reference to market rates for non-Executive Director fees for similar companies or groups.

Service contracts and policy on payment for loss of office

Executive Directors' service contracts are subject to 12 months' notice from both the Company and from the Director. Directors may be required to work during the notice period or paid *in lieu* of notice if not required to work for the full notice period.

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

Service contracts	Contract date	Unexpired term at 31 December 2014	Notice period
John Dawson	10 October 2008	NA	12 months
Paul Blake	1 September 2014	NA	12 months
Peter Nolan	1 May 2002	NA	12 months
Tim Watts	9 February 2012	NA	12 months

Letters of appointment	Date of appointment	Unexpired term at 31 December 2014	Notice period
Nick Rodgers	29 May 2014	4 months	3 months
Paul Blake[1]	1 January 2013	NA	NA
Martin Diggle	4 October 2012	9 months	3 months
Andrew Heath	1 January 2013	12 months	3 months

1. Prior to his appointment as Chief Development Officer in September 2014, Paul Blake served as a non-Executive Director

All Directors are subject to election by shareholders at the first opportunity after their appointment and thereafter to re-election at intervals of not more than three years. At the 2015 Annual General Meeting Andrew Heath, Peter Nolan and Tim Watts will retire from the Board and stand for re-election in accordance with Article 38 of the Company's articles of association.

The principles on which the determination of payments for loss of office will be approached are set out below:

	Policy
Payment in lieu of notice	Contractual termination payments may not exceed the Director's current salary and benefits for the notice period
Annual Bonus	This will be at the discretion of the Committee on an individual basis and the decision as to whether or not to award a bonus in full or in part will be dependent on a number of factors, including the circumstances of the individual's departure and their contribution to the business during the bonus period in question. Any bonus amounts paid will typically be pro-rated for time in service during the bonus period and will, subject to performance, be paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances).
Deferred Bonus Plan	The extent to which any unvested award will vest will be determined in accordance with the rules of the Deferred Bonus Plan. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill-health, injury, disability, the sale of his employer or any other reason, at the discretion of the Committee, the Committee shall determine whether the award will vest at cessation or at the normal vesting date. In either case, the extent of vesting will be determined by the Committee, taking into account, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the deferral period. Awards may then be exercised during such period as the Committee determines. Awards which have already vested at the date of cessation may be exercised for such period as the Committee determines.
LTIP	The extent to which any unvested award will vest will be determined in accordance with the rules of the LTIP. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill-health, injury, disability, the sale of his employer or any other reason at the discretion of the Committee, the Committee shall determine whether the award will vest at cessation or at the normal vesting date. In either case, the extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the performance period. Awards may then be exercised during such period as the Committee determines. Awards which have already vested at the date of cessation may be exercised for such period as the Committee determines.
Change of control	The extent to which unvested awards under the Deferred Bonus Plan and LTIP will vest will be determined in accordance with the rules of the relevant plan. Awards under the Deferred Bonus Plan will vest in full in the event of a takeover, merger or other relevant corporate event. Awards under the LTIP will vest early on a takeover, merger or other relevant corporate event. The Committee will determine the level of vesting taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of the relevant corporate event relative to the performance period. The Committee has discretion under the rules of the LTIP to vest awards on a different basis.
Other payments	Payments may be made either in the event of a loss of office or a change of control under the Sharesave Scheme, which is governed by its rules and the legislation relating to such tax qualifying plans. There is no discretionary treatment for leavers or on a change of control under this scheme. In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.

Existing contractual arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report:

— where the terms of the payment were agreed before the policy came into effect;

— where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Group and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Group; and

— to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, "payments" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Statement of consideration of shareholder views

The Committee takes into account views of shareholders with regard to Directors' remuneration. Martin Diggle, a founder of Vulpes Life Sciences Fund ("Vulpes"), the Company's second largest investor, is a member of the Committee and is able to communicate the views of Vulpes on this matter. The Senior Independent Director also consults from time to time with the Company's other major investors, and did so during February 2015 in respect of the proposed changes to the remuneration policy described above.

Annual report on remuneration

(subject to audit except where indicated)

Single total figure of remuneration

The following tables show a single total figure of remuneration for 2014 for each Director and comparative figures for 2013.

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

2013	Salary £'000	Benefits[1] £'000	Bonus £'000	LTIP[2] £'000	Pension[4] £'000	Total £'000
John Dawson	330	6	99	–	33	468
Stuart Naylor[3]	87	1	–	–	8	96
Peter Nolan	173	4	52	–	17	246
Tim Watts	200	–	60	–	20	280
Total	**790**	**11**	**211**	**–**	**78**	**1,090**

1. Benefits comprise medical insurance
2. LTIP awards granted in 2010 and 2011 lapsed without vesting in 2013 and 2014 respectively because threshold performance conditions were not met
3. Stuart Naylor resigned from the Board on 6 June 2013. In addition to the figures shown above he also received £208,000 in compensation for loss of office
4. Pension contributions are made into the Group's defined contribution scheme
5. Prior to his appointment as Chief Development Officer in September 2014, Paul Blake served as a non-Executive Director
6. Paul Blake and Tim Watts have elected to receive a cash allowance *in lieu* of a company pension contribution

In February 2015 the Committee met to consider the achievement of 2014 objectives and the annual bonus award for 2014. The performance of the business in 2014 is set out in detail in the strategic report from pages 20 to 43.

Performance against the Group objectives for 2014, on which the Executives bonuses are based, was as follows:

Objective	Bonus component
Progress the product pipeline and identify new opportunities	7.5%
Secure IP, manufacturing and process development contracts	20%
Complete the outlicense and transfer to Sanofi of Stargen™ and UshStat®, and license RetinoStat® to Sanofi or other third party	14.25%
Develop manufacturing capacity and process improvements under the AMSCI programme	12.5%
Develop organisational capabilities and effectiveness to support the expanding business	15%
Various financial targets including a successful fundraise and reduction in underlying operational loss	25%

Taking all of these factors into account the Committee decided to award the Executive Directors bonuses of 94.25% of the maximum which was 100% of base salary for 2014.

The 2014 bonuses will be paid 50% in cash and 50% in deferred share awards. The deferred share awards are not subject to further performance conditions and will vest in three equal instalments on the first three anniversary dates after the award date provided that the relevant participant remains employed at the 1st anniversary of the award.

The single total figures of remuneration for non-Executive Directors are shown in the table below:

Fees	2014 £'000	2013 £'000
Nick Rodgers	75	75
Andrew Heath	46	46
Paul Blake[1]	26	38
Total	**147**	**159**

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

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

Aggregate Directors' emoluments	2014 £'000	2013 £'000
Salaries	795	790
Benefits	15	11
Pension/cash alternative	74	78
Bonuses	749	211
Non-Executive Directors fees	147	159
Total	**1,780**	**1,249**

LTIPs awarded during 2014

On 20 June 2014, the Executive Directors were awarded the following options under the Group's LTIP scheme:

	Number of options granted
John Dawson	4,950,000
Peter Nolan	2,753,475
Tim Watts	3,150,000

The number of options awarded was calculated by reference to 30% of salary divided by the average share price in the five business days preceding the award.

The performance metric for this award is Absolute Total Shareholder Return (TSR) but as the Group is unlikely to pay a dividend in the foreseeable future, TSR growth is essentially represented by the share price. The awards will only vest if share price growth is achieved over the 3 year vesting period of each award. The vesting schedule is as follows:

Share price target	% of award vesting
Below 5.0p	0%
At 5.0p*	25%
At 7.5p*	100%

* Straight line vesting between these points

The closing share price on the day preceding the award was 2.38p, so the threshold target of 5p requires growth of 210% over the three year vesting period.

On 17 October 2014, Paul Blake was awarded the following options under the Group's LTIP scheme:

	Number of options granted
Paul Blake	2,109,375

The number of options awarded was calculated by reference to 30% of salary divided by the average share price in the five business days preceding the award.

The performance metric for this award is Absolute Total Shareholder Return (TSR) but as the Group is unlikely to pay a dividend in the foreseeable future, TSR growth is essentially represented by the share price. The awards will only vest if share price growth is achieved over the 3 year vesting period of each award. The vesting schedule is as follows:

Share price target	% of award vesting
Below 5.2p	0%
At 5.2p*	25%
At 6.4p*	100%

* Straight line vesting between these points

The closing share price on the day preceding the award was 3.9p, so the threshold target of 5.2p requires growth of 33% over the three year vesting period.

The awards are nominal cost options exercisable at par and are subject to a three year vesting period. They are exercisable from the third anniversary of the award, subject to the achievement of the above performance condition. Although no award can be exercised until the end of the three year vesting period, Directors are able to "bank" a portion of the appropriate vesting percentage on each anniversary of the date of grant, should the target have been met at those dates. This will be limited to 25% of the potential vesting amount after one year, 50% after two years and 100% after three years. Banked awards will not actually vest until the third anniversary of award.

Payments for loss of office

Stuart Naylor resigned from the Board on 6 June 2013. In addition to the figures shown above he also received £208,000 in compensation for loss of office. This amount comprised an *ex gratia* payment of £40,000 and pay *in lieu* of notice of £168,000. The Group agreed that the LTIP awards held by Dr Naylor at 6 June 2013 should not lapse as a result of the termination of his employment but should continue as if he had remained an eligible employee and participant (both terms as defined in the LTIP rules) until the expiry date of the last of such LTIP awards.

Payments to past Directors

Dr Alan Kingsman (former Group Chairman) was paid a consulting fee of £nil in 2014 (2013: £37,500).

Statement of Directors' shareholding and share interests

The Executive Directors are encouraged to build up a shareholding but there is no specific required target level. The interests in shares of the Directors as at 31 December 2014[3] are as follows:

	Shares held outright		Unvested deferred bonus plan		Unvested LTIP awards subject to performance conditions	
	2014	2013	2014	2013	2014	2013
Executive Directors						
John Dawson[1]	2,782,829	2,282,829	2,186,308	–	17,127,465	13,881,465
Peter Nolan	883,313	733,313	1,149,910	–	9,166,968	7,309,493
Paul Blake	2,526,999	533,097	–	–	2,109,375	–
Tim Watts	5,607,829	3,682,829	1,325,035	–	12,530,282	9,380,282
non-Executive Directors						
Paul Blake	–	533,097	–	–	–	–
Martin Diggle[2]	447,452,767	401,000,100	–	–	–	–
Andrew Heath	1,000,000	600,000	–	–	–	–
Nick Rodgers	1,042,829	842,829	–	–	–	–

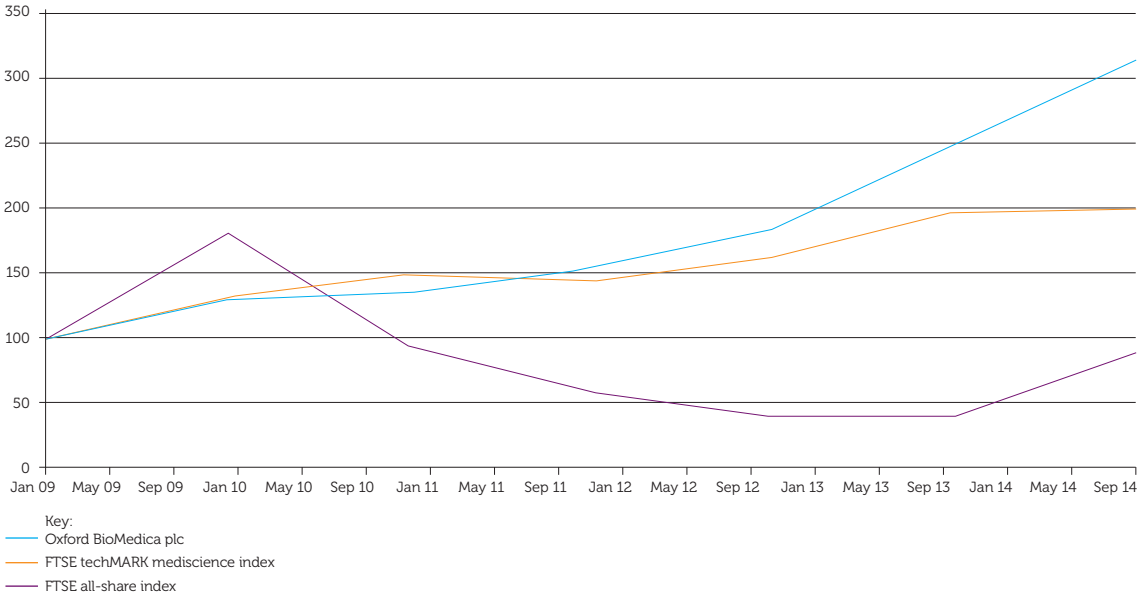
1. John Dawson also has 1,000,000 vested but unexercised share options
2. Includes interest of Vulpes Life Science Fund, Vulpes Testudo Fund and other parties connected to Martin Diggle
3. There were no changes in the Directors' shareholdings between 31 December 2014 and the date of this report

On 15 April 2014 the LTIP award made on 15 April 2011 was tested against its performance condition which was to achieve at least median Total Shareholder Return (TSR) performance as measured on the third anniversary against a peer group of thirteen companies. Since the Group's TSR performance fell below the median level in the peer group, all of the awards granted to Directors on that date have lapsed.

Based on the share price on 31 December 2014 of 5.25p, it is possible that the LTIP awards granted on 30 June 2012 will vest when the performance criteria are tested in June 2015.

Performance graph and comparison with CEO's remuneration
(not subject to audit)

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



CEO's remuneration in last six years
(not subject to audit)

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

* On 1 September 2009 1,500,000 new Ordinary Shares were allotted to John Dawson. The shares were fully paid, and were a one-off share based bonus payment, in accordance with his contract of employment, for successful achievement of certain transactions with Sanofi in April 2009. The value of the shares at the closing mid-market price on the trading day immediately prior to issue was £172,500 and the Company bore an additional cost of £120,000 required to gross up the value of the shares for income tax and National Insurance. Mr Dawson also received a regular bonus of 80% of maximum

Percentage change in CEO's remuneration

(not subject to audit)

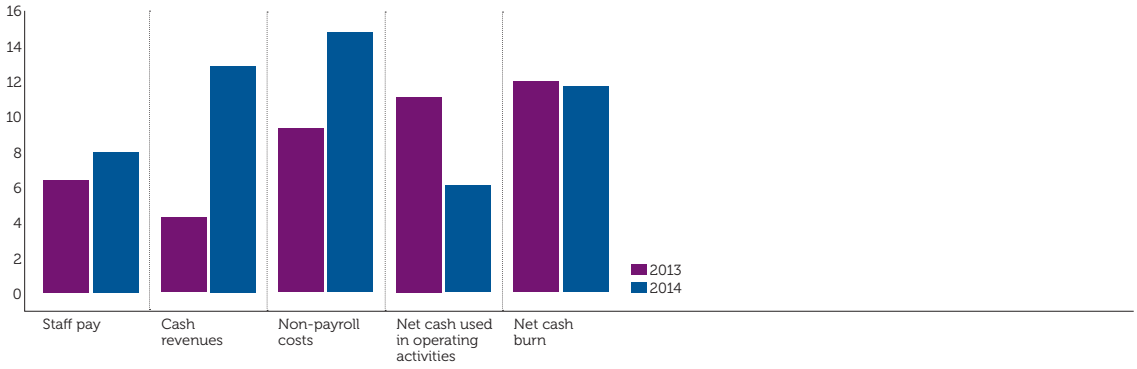
The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2013 and 2014 compares with the equivalent changes in those components for a group of employees. As 2013 and 2014 has seen significant changes in headcount numbers, the Committee has chosen as the comparator group all those employees other than the CEO who were employed throughout the whole of both 2013 and 2014.

	Salary			Benefits			Bonus		
	2014	2013	% increase	2014	2013	% increase	2014	2013	% increase
John Dawson	330	330	0%	6	6	0%	311	99	214%
Comparator employee group	2,947	2,799	5.3%	17	14	21.4%	623	237	163%

Relative importance of spend on pay

(not subject to audit)

The chart below illustrates the spend on employee remuneration compared with the Group's key cash measures. Since the Group does not make dividend or other distributions, these have not been included in the table.



Statement of implementation of remuneration policy in 2015
(not subject to audit)

The proposed changes to the remuneration policy will not be approved until the Company's 2015 AGM and the Board intends that the policy will take effect from the date of the AGM.

However during 2015 the policy will be implemented, as if it had been approved, as follows:

Salary	2015 £'000	2014 £'000
John Dawson	335	330
Peter Nolan	205	183
Tim Watts	215	210

Annual bonus
The precise definition of the bonus targets for 2015 are commercially sensitive but in broad terms they include:

Target area	Weighting
Developing the product portfolio	40%
Continuing the manufacturing and process development capacity expansion and securing further contracts	40%
Continuing to develop organisational effectiveness	10%
Various corporate objectives	10%

Non-Executive Directors' fees

Fees	2015 £'000	2014 £'000
Nick Rodgers	75	75
Andrew Heath	46	46
Paul Blake	–	26*
Total	**121**	**159**

* Paul Blake retired as a non-Executive Director prior to his appointment as Chief Development Officer in September 2014

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

Consideration by Directors of matters relating to Directors' remuneration
(not subject to audit)

Advisors
During 2014, the Committee received independent advice from the following external consultant:

Advisor	Details of appointment	Services provided by the Advisor	Fees paid by the Company for advice to the Committee and basis of charge	Other services provided to the Company in 2014
Deloitte LLP	Appointed by the Committee in April 2013.	Review of executive and non-executive remuneration arrangements, including benchmarking analysis. Advice on the new reporting regulations in connection with the disclosure of Directors' remuneration.	Charged on a time/cost basis or fixed fee dependent on the nature of the project.	None.

Deloitte is a member of the Remuneration Consultants Group. The Remuneration Committee is satisfied that the remuneration advice provided by Deloitte is objective and independent.

Implementation of Directors' remuneration policy for the financial year commencing 1 January 2015
(not subject to audit)

As a result of this review and following consultation with and support from major shareholders the Committee proposes the following remuneration changes for 2015, subject to shareholder approval, of a new remuneration policy at the AGM:

— 2015 salaries for John Dawson and Tim Watts are to be increased by £5,000, and that of Peter Nolan by £22,000

— No base salary increase was awarded to Paul Blake, as his base salary was reviewed in September 2014 upon his appointment as an Executive Director. Salary increases for the CEO and CFO have been set relative to the wider workforce (average salary increases across the business are currently c2.5%). However, the Committee is proposing to increase the base salary for Peter Nolan, Chief Business Officer, in 2015 to recognise that, since the reorganisation of the Senior Executive Team announced in November 2014, he now has a significantly different role to the one he originally joined the Board to fulfil, and against which his salary has previously been set. His role was previously focused on Business Development and the management of our Intellectual Property whereas his responsibilities have now broadened to cover:

  — Business Development;

  — Intellectual Property and Legal;

  — Quality Management; and

  — Property, Facilities and Health and Safety

In 2014 Dr Nolan led the negotiations with Novartis. As part of the annual review of base salaries, the Committee wishes to recognise his significant contribution to the ongoing success of the Group and his increased role on the Board, and acknowledges the fact that this is not currently reflected through his remuneration in comparison with the rest of the Board. The proposed increase is therefore in recognition of additional responsibilities and maintaining appropriate market and internal relativity positioning.

— The maximum bonus payable in future will be increased from 100% of base salary to 125% of base salary. The Committee considers this approach to be appropriate for driving the right behaviours amongst management, increasing the potential value that can be delivered annually but only upon achievement against carefully considered performance measures

— 80% of future bonuses will be based on corporate objectives, with 20% dependent on challenging personal objectives. This is a change to the remuneration policy and will require shareholder approval. The performance measures used to determine the annual bonus awards will incorporate 2015 objectives which will be based on:

  — Developing the product portfolio

  — Continuing the manufacturing and process development capacity expansion and securing further contracts

  — Continuing to develop organisational effectiveness

  — Various corporate objectives

50% of any bonus payable will still be settled through deferred shares, in line with the 2014 policy. With regard to the deferral element of the bonus, previously, these nil cost options would be over "market purchased" shares. In order to ensure that the Deferred Bonus Plan remains cost effective and prevent cash flow risks at the time of grant and vesting, going forward it is proposed to introduce flexibility to satisfy these awards using "new issue" shares. This will of course be subject to a shareholder vote at the AGM, and the proposal will include a ten percent dilution limit. We will also update the annual bonus and deferred bonus plan rules to include malus and clawback provisions in line with the new UK Corporate Governance Code.

— The Group pension contribution for Executive Directors will be increased from 10% to 15%. This is a change to the remuneration policy and will require shareholder approval

— The rules of our current LTIP allow for a maximum award of 150% of salary. In reality this has varied over recent years with awards having varied between 30% and 60%, and more recent practice, driven by the low share price, has been to cap the size of the award at 30%. This cap was included in the remuneration policy approved by shareholders at our 2014 AGM. We are aware that this cap is significantly below more typical practice in the market at both Director and senior team level. If we align our remuneration for the senior management team below the Board to this maximum it makes it very difficult to recruit and compete in the market for talent. We are therefore proposing to include a maximum award of 100% in the new LTIP rules and will make awards up to this level annually to our Executive Directors. Threshold vesting will remain at 25%. It is proposed that the new LTIP provides that in exceptional circumstances awards can be made of up to 200% of base salary. This is a change to the remuneration policy and will require shareholder approval

— Shareholding guidelines – in line with best practice, the Group is proposing to introduce shareholding guidelines whereby Executive Directors will be expected to build up a shareholding of one times salary. Further to this, under new LTIP grants, Executive Directors will be expected to retain at least 50% of any shares delivered net of tax and social security deductions

Shareholders will be invited to vote at the AGM on the amended remuneration policy

The Board has also reviewed the arrangements for all grades across our business to ensure we have competitive arrangements in place to manage the risk of losing our best people and to help us in our very real need to recruit to support our growth. As part of this review it was evident that we need to update our incentive arrangements and adopt a more focused approach on how we use share awards. At the 2015 AGM the following share plans will therefore be put to shareholders for approval:

— The introduction of a new Sharesave plan for all employees so that we can extend share participation across all employees in a way which is effectively risk-free for them but provides a sense of ownership throughout the business

— The introduction of a new Group Share Option Plan which will provide additional flexibility in recruiting new employees below Board level to the Group

— Our current Long Term Incentive Plan expires in 2017 and we will therefore be putting a new plan to shareholders at the 2015 AGM. This new plan will be drafted to reflect current best practice, including the introduction of malus and clawback provisions in line with the new UK Corporate Governance Code

— With regard to the deferral element of the bonus, previously these nil cost options were over "market purchased" shares. In order to ensure that the Deferred Bonus Plan remains cost effective and prevent cash flow risks at the time of grant and vesting, going forward, and subject to shareholder approval at the AGM, it is proposed to introduce flexibility to satisfy these awards using "new issue" shares

— All plans will continue to include a dilution limit of 10% over 10 years

Statement of voting at AGM
(not subject to audit)

At the 2014 AGM, the resolution recommending the 2013 Directors' remuneration report was passed with a majority of 90.1%. 9.9% of the votes were cast against the resolution and 364,072,393 votes were withheld. The resolution to approve the remuneration policy was passed with a majority of 99.9%. 0.1% of the votes were cast against the resolution and 364,072,393 votes were withheld.

Directors' report

for the year ended 31 December 2014

The Directors present their Annual report and audited consolidated financial statements for the year ended 31 December 2014 as set out on pages 81 to 108. This report should be read in conjunction with the Corporate governance report on pages 46 to 51.

Strategic report
The Strategic report is on pages 20 to 43. The Directors consider that the Annual report and accounts, taken as a whole, are fair, balanced and understandable. In reaching this conclusion, the Audit Committee initially discussed the requirements with the Group's auditors when discussing the strategy for the 2014 audit, and the full Board reviewed the contents of the report at its March 2015 meeting. Since the Board meets routinely 10 times in the year the Directors consider that they are sufficiently well informed to be able to make this judgement.

Key performance indicators (KPIs)
Key performance indicators are outlined in the Chief Financial Officer's review on pages 34 to 37.

Corporate governance
The Group's statement on corporate governance is included in the Corporate governance report on pages 46 to 51 of these financial statements.

Risk management
The Group's exposure to risks is set out on pages 41 to 43 (principal risks and uncertainties) and on page 91 (Note 3: financial risk management).

Dividends
The Directors do not recommend payment of a dividend (2013: £nil).

Directors
The current Directors of the Company and their biographical details are given on pages 44 to 45. The contracts of employment of the Executive Directors are subject to twelve months' notice. The Directors' remuneration and their interests in the share capital of the Company at 31 December 2014 are disclosed in the Directors' remuneration report on pages 52 to 71.

Appointment and replacement of Directors

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

Directors' third party indemnity provision
The Group maintains a qualifying third party indemnity insurance policy to provide cover for legal action against its Directors. This was in force throughout 2014 and at the date of approval of the financial statements.

Share capital

Structure of the Company's capital

The Company's share capital comprises a single class of 1p ordinary shares, each carrying one vote and all ranking equally with each other. Following the adoption of new articles of association in 2010, the authorised share capital of the Company is unlimited. At 31 December 2014 the Company had 2,565,896,766 shares in issue, all allotted and fully paid. There are no restrictions on the transfer of shares in the Company or on voting rights. All shares are admitted to trading on the London Stock Exchange.

Rights to issue and buy back shares

Each year at the AGM the Directors seek rights to allot shares. The authority, when granted lasts for 15 months or until the conclusion of the next AGM if sooner. At the last AGM held on 3 June 2014, authority was given to allot up to 472,049,700 shares (that number being one third of total issued share capital of the Company at the time), subject to the normal pre-emption rights reserved to shareholders contained in the Companies Act 2006, and to allot up to a further 472,049,700 shares, solely in a rights issue. Authority was also given, subject to certain conditions, to waive pre-emption rights over up to 70,807,500 shares, being 5% of the shares then in issue. No rights have been granted to the Directors to buy back shares.

Substantial shareholdings
At 15 February 2015, the latest practical date prior to approval of the Directors' report, the Company had been notified of the following shareholdings amounting to 3% or more of the ordinary share capital of the Company.

Shareholder	Number of ordinary shares	Percentage of issued share capital
M&G Investments	482,988,186	18.8%
Vulpes Investment Management	447,452,767	17.4%
Joy Group	250,000,000	9.7%
Aviva Investors	239,911,781	9.4%
Hargreaves Lansdown Asset Management	100,582,356	3.9%
TD Direct Investing	90,682,332	3.5%
Barclays Wealth Management (UK)	86,712,235	3.4%
Tredje AP-Fonden	85,547,333	3.3%

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

Group research and development activities
During 2014 the Group incurred research and development expenditure of £16,986,000 (2013: £13,750,000). Further information is given in the progress against strategy (pages 28 to 33) and Chief Financial Officer's review (pages 34 to 37).

Employees
The Group communicates and consults regularly with employees throughout the year. Employees' involvement in the Group's performance is encouraged, with all employees eligible to participate in the share option scheme or the LTIP. Certain employees participate in discretionary bonus schemes.

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

Further details on employees, health and safety, environmental matters and corporate social responsibility are in the corporate social responsibility statement on pages 38 to 40.

Employee share schemes
The Group has established an Employee Benefit Trust (EBT) to hold shares purchased in order to settle shares awarded to Executive Directors and other senior managers under the Deferred Bonus Plan. The EBT currently holds 7,161,253 shares. See Note 25 of the consolidated financial statements for further information.

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

Going concern
The Group had £14.2m of cash at the end of 2014 and is now generating profitable revenues from its manufacturing activities. However, it will incur substantial capital expenditure over the next 15 months as it expands manufacturing and analytical testing capacity to enable it to meet the volumes expected under the Novartis contracts. In the absence of any further upfront receipts from potential product or IP licence deals, the Directors estimate that the cash held by the Group including known cash inflows will be sufficient to support the current level of activities into the first quarter of 2016. Known cash inflows include a proportion of the contractual milestone payments from Novartis which are based on process development progress continuing at its current rate.

The Directors have also considered the range of potential sources of cash to the Group and expect to be able to secure adequate resources should they be required. Whilst the Directors have confidence that such resources could be obtained, no such additional resources are committed at the date of these financial statements. In the absence of securing such funds or other sources of cash the Group would choose to curtail or suspend part of its capital expenditure programme until such funds were secured.

After due consideration, the Directors are of the view that the Group will have access to adequate resources to allow the Group to continue for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

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

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

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

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 44 to 45 confirm that, to the best of their knowledge:

— the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

— the Directors' report contained in this section includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418, Directors' reports shall include a statement, in the case of each Director in office at the date the Directors' report is approved, that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Statement as to disclosure of information to auditors
In accordance with s418 of the Companies Act 2006, so far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

Greenhouse gas emissions report
Details on greenhouse gas emissions are set out in the corporate social responsibility section on page 40.

By order of the Board

Tim Watts
Company secretary

12 March 2015

Independent auditors' report

to the members of Oxford BioMedica plc

Report on the financial statements

Our opinion

In our opinion:

- Oxford BioMedica plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Oxford BioMedica plc's financial statements comprise:

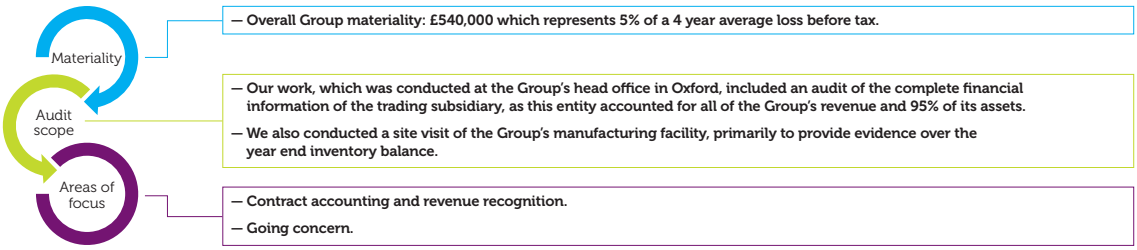
- the Group and Company balance sheets as at 31 December 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the Group and Company statements of cash flows for the year then ended;
- the Group and Company statements of changes in equity attributable to owners of the parent for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview



The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How the scope of our audit addressed the area of focus

Contract accounting and revenue recognition

Refer to Note 1 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.

There is one main source of revenue generated by the Group, relating to the new process development and manufacturing collaboration with Novartis of HIV Lentiviral particles.

Management signed four agreements with Novartis in October 2014, underpinning the collaboration.

Our consideration of the contracts focused on the key judgements made by management, including:

- The identification of the contractual elements;
- The determination that the contractual elements are separable, requiring individual assessments of profitability and accounting for the associated revenue;
- The determination of the fair value of each contractual element;
- Whether contractual criteria, such as invoicing or manufacturing milestones triggering revenue recognition had been met;
- The recoverability of invoiced receivables;
- Estimated contract profitability, and identification of any onerous contractual elements; and
- The assessment of carrying value of associated inventories. The profitability of the manufacturing contract in particular underpins the valuation of the inventory, as any losses expected in manufacturing may result in the inventory value being impaired.

We obtained and evaluated management's assessment that the contractual elements and prices were developed independently, and formed our own independent assessment based on our evaluation of the contractual terms. Specifically, we compared factors such as the associated manufacturing costs prior to the signing of the contracts with the costs defined in the contracts, to determine that the manufacturing contract terms are at market value, and not artificially adjusted – we observed that these were consistent with the previous agreement with Novartis.

We considered whether the agreements were negotiated as a package with a single commercial objective, whether the considerations for each agreement are interdependent, and whether the overall goods and services of the contracts represent a single obligation to the customer.

We also considered the relevant accounting guidance in IAS18 'Revenue' and IAS11 'Construction contracts' in determining the treatment of the contractual elements, as well as similar arrangements elsewhere in the industry, to obtain further evidence that the individual contracts were each commercially viable in their own right. Based on the evidence obtained we considered that management's assessment that the individual contractual elements are separable to be reasonable.

We obtained management's calculation of the fair value of each of the elements of the contract, and assessed the appropriateness of the apportionment of the revenue received between the various services provided. Based on the calculations provided, we considered that management's assessment of the allocation to be reasonable.

For significant revenue amounts recognised, we understood the reasoning behind the recognition – whether it was recognised in reference to a certain trigger (invoice/milestone), and what services were provided in order to recognise the revenue. For amounts recognised as a result of a trigger event, we obtained evidence that this trigger occurred at the stated time to support the revenue being recognised, for example obtaining evidence that a batch of manufactured products had been released for quality procedures.

For significant invoices, we understood the basis for the invoice being raised, agreeing amounts back to the contracts to check it was raised in accordance with the terms. In addition, all amounts were traced to the bank statements, confirming the collectability of receivables.

For the upfront payment in the development contract, we evaluated management's assertion that there were no further commitments specific to it by observing the relevant extracts from the contract and considering the fair value of the technology transferred to Novartis in exchange for the payment, and found these things to be consistent.

To evaluate contract profitability and assess any onerous contractual elements or potential impairment of inventories, we obtained and read management's accounting paper which, based on assumptions such as the relevant costs of manufacturing and revenues expected, showed that all of the contracts are profitable. We re-performed management's calculations and challenged the key assumptions around estimated costs and revenues. We compared forecast costs with those incurred in FY14 for each manufactured batch, and observed that the revenues recognised were consistent with the contractually obliged amounts.

Going concern

Refer to Note 1 to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.

Management has compiled cash flow projections based on assumptions over the continuation of the Novartis contract, expected capital expenditure and the continuation of other research activities. As disclosed in Note 1 management has assessed the Group's cash resources are sufficient to support current operations through to Quarter 1 2016, which is greater than twelve months from the date of approval of the financial statements.

These cash flow projections form the primary evidence in support of management's assessment of the Company's ability to continue as a going concern. Management is continuing to explore various sources of financing available to the Group and, although no additional funding is committed at the date of approval of the financial statements, management is confident that sufficient additional funding can be secured.

Given the level of judgement inherent in management's assessment, this forms an area of focus. The key judgements within the cash flow projections that we particularly focused on are:

- cash inflows and outflows expected from the Novartis contract;
- cash inflows expected from other sources, for example development grants and other agreements currently under negotiation;
- cash outflows expected from capital expenditure;
- cash inflows from new sources of financing.

We assessed the key judgements underpinning management's calculations, as well as the sensitivity of the projections to these judgements. We discussed with management how they determined the following assumptions, and considered these in our assessment.

For the Novartis contract, we considered what revenues and costs the Group is contractually committed to, specifically referencing the elements of the contract. For those which are more judgemental, for example milestones in the product development, we considered what the range of potential cash inflows could be, and the sensitivity of the cash position to these, noting that the projected cash flows are consistent with the contract and our understanding of the stage of product development.

For other revenue sources, we assessed which of these sources were contractually committed, and which are dependent on specific actions or outcomes, and where applicable, evaluated the evidence available to support the assumptions that those outcomes were achievable, and determined that management's assumptions were reasonable. We have also evaluated correspondence with potential providers of additional finance.

We also assessed what elements of capital expenditure the Group is committed to, and what capital expenditure could be delayed, if necessary, to manage cash outflows.

Our conclusion on management's use of the going concern basis of accounting is included in the going concern section of the report below.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the accounting processes and controls, and the industry in which the Group operates.

The Group includes the listed parent Company, the main trading entity and three inactive entities. The Group's accounting process is structured around a single finance team in Oxford, maintaining their own accounting records and controls. All financial reporting, including the Group consolidation and financial statement disclosures is performed by the same finance team. Both the head office and the manufacturing facility are based in Oxford.

The main trading entity is the focus of our audit as this comprises all of the revenues of the Group and 95% of its assets. All material items in this entity, and therefore the financial statements, are audited by a single engagement team. In addition to the audit work conducted at the head office, the engagement team also visited the manufacturing facility, primarily to provide evidence over the year-end inventory balance.

The overall approach to scoping the Group audit engagement is further influenced by specific factors unique to the FY14 activities of the business, the most significant item being the Novartis collaboration contract, signed in October 2014 – this has driven an increase in the level of manufacturing, as well as other contractual obligations, and increased capital expenditure.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£540,000 (2013: £540,000).
How we determined it	5% of a 4 year average of loss before tax.
Rationale for benchmark applied	Profit before tax is the metric that, we believe, is most commonly used by the shareholders as a body in assessing the Group's performance. Consistent with the prior year, we use an average of the loss over the last 4 years as the revenue of the Group is subject to fluctuation arising from the contractual nature of the business and, in particular, upfront payments, which mean that results from one year may not be a fair representation of the activities of the business.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £27,000 (2013: £27,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 74, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

— the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the information given in the Corporate Governance Statement set out on pages 46 to 51 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

— information in the Annual Report is: — materially inconsistent with the information in the audited financial statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report arising from this responsibility.
— the statement given by the directors on page 74, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
— the section of the Annual Report on page 49, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

— we have not received all the information and explanations we require for our audit; or

— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Independent auditors' report

to the members of Oxford BioMedica plc

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 74, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

— whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;

— the reasonableness of significant accounting estimates made by the Directors; and

— the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

12 March 2015

(a) The maintenance and integrity of the Oxford BioMedica plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

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

Consolidated statement of comprehensive income

for the year ended 31 December 2014

Continuing operations	Notes	**2014 £'000**	2013 £'000
Revenue	4	**13,618**	5,375
Cost of sales		**(4,416)**	(1,140)
Gross profit		**9,202**	4,235
Research and development costs	7	**(16,986)**	(13,750)
Administrative expenses	7	**(3,957)**	(3,422)
Other operating income: grants receivable		**1,128**	114
Operating loss		**(10,613)**	(12,823)
Finance income	6	**53**	64
Finance costs	6	**(238)**	(4)
Loss before tax		**(10,798)**	(12,763)
Taxation	8	**2,137**	1,667
Loss for the year	27	**(8,661)**	(11,096)
Basic loss and diluted loss per ordinary share	9	**(0.43p)**	**(0.79p)**

There were no other gains or losses.

Balance sheets

as at 31 December 2014

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Assets					
Non-current assets					
Intangible assets	11	**2,106**	2,633	**–**	–
Property, plant and equipment	12	**8,944**	4,070	**–**	–
Investments in subsidiaries	13	**–**	–	**53,642**	32,400
		11,050	6,703	**53,642**	32,400
Current assets					
Inventories	14	**1,407**	680	**–**	–
Trade and other receivables	15	**5,153**	2,592	**11**	3
Current tax assets		**2,000**	1,500	**–**	–
Cash and cash equivalents	16	**14,195**	2,169	**1,291**	43
		22,755	6,941	**1,302**	46
Current liabilities					
Trade and other payables	17	**6,304**	2,934	**41**	36
Deferred income	18	**2,927**	1,280	**–**	–
		9,231	4,214	**41**	36
Net current assets		**13,524**	2,727	**1,261**	10
Non-current liabilities					
Loans	19	**1,000**	–	**–**	–
Provisions	20	**535**	532	**–**	–
		1,535	532	**–**	–
Net assets		**23,039**	8,898	**54,903**	32,410
Equity attributable to owners of the parent					
Ordinary shares	23	**25,659**	14,162	**25,659**	14,162
Share premium account	24	**141,615**	130,304	**141,615**	130,304
Merger reserve	28	**2,291**	14,310	**1,580**	13,599
Treasury reserve	28	**(226)**	–	**–**	–
Other reserves	28	**(682)**	(682)	**5,213**	4,993
Accumulated losses	27	**(145,618)**	(149,196)	**(119,164)**	(130,648)
Total equity		**23,039**	8,898	**54,903**	32,410

The Company's registered number is 03252665.

The financial statements on pages 81 to 108 were approved by the Board of Directors on 12 March 2015 and were signed on its behalf by:

John Dawson
Chief Executive Officer

Statements of cash flows

for the year ended 31 December 2014

	Notes	Group		Company	
		2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Cash flows from operating activities					
Cash used in operations	29	**(7,431)**	(13,005)	**(538)**	(492)
Interest paid		**(238)**	(4)	**–**	–
Tax credit received		**1,637**	1,990	**–**	–
Net cash used in operating activities		**(6,032)**	(11,019)	**(538)**	(492)
Cash flows from investing activities					
Loan to subsidiary		**–**	–	**(21,022)**	(208)
Purchases of property, plant and equipment		**(5,577)**	(839)	**–**	–
Purchases of intangible assets		**–**	(98)	**–**	–
Net maturity of available for sale investments		**–**	5,105	**–**	–
Interest received		**53**	64	**–**	–
Net cash (used in)/generated from investing activities		**(5,524)**	4,232	**(21,022)**	(208)
Cash flows from financing activities					
Proceeds from issue of ordinary share capital		**24,268**	–	**24,268**	–
Costs of share issues		**(1,460)**	–	**(1,460)**	–
Net payments related to share award		**(226)**	–	**–**	–
Loans received	19	**1,000**	–	**–**	–
Net cash generated from financing activities		**23,582**	–	**22,808**	–
Net increase/(decrease) in cash and cash equivalents		**12,026**	(6,787)	**1,248**	(700)
Cash and cash equivalents at 1 January		**2,169**	8,956	**43**	743
Cash and cash equivalents at 31 December	16	**14,195**	2,169	**1,291**	43

Statements of changes in equity attributable to owners of the parent

for the year ended 31 December 2014

Group	Notes	Ordinary shares £'000	Share premium account £'000	Merger reserve £'000	Treasury reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2013		14,162	130,304	14,310	–	(682)	(138,451)	19,643
Year ended 31 December 2013:								
Loss for the year		–	–	–	–	–	(11,096)	(11,096)
Total comprehensive expense for the year		–	–	–	–	–	(11,096)	(11,096)
Transactions with owners:								
Share options								
Value of employee services	26	–	–	–	–	–	351	351
At 31 December 2013		**14,162**	**130,304**	**14,310**	**–**	**(682)**	**(149,196)**	**8,898**
Year ended 31 December 2014:								
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(8,661)**	**(8,661)**
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**–**	**(8,661)**	**(8,661)**
Transactions with owners:								
Share options								
Value of employee services	26	**–**	**–**	**–**	**–**	**–**	**220**	**220**
Issue of shares excluding options	23, 24	**11,497**	**12,771**	**–**	**–**	**–**	**–**	**24,268**
Costs of share issues	24	**–**	**(1,460)**	**–**	**–**	**–**	**–**	**(1,460)**
Realisation of merger reserve	28	**–**	**–**	**(12,019)**	**–**	**–**	**12,019**	**–**
Deferred Share Award	25	**–**	**–**	**–**	**(226)**	**–**	**–**	**(226)**
At 31 December 2014		**25,659**	**141,615**	**2,291**	**(226)**	**(682)**	**(145,618)**	**23,039**

Company	Notes	Ordinary shares £'000	Share premium account £'000	Merger reserve £'000	Treasury reserve £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2013		14,162	130,304	13,599	–	4,642	(130,135)	32,572
Year ended 31 December 2013:								
Loss for the year		–	–	–	–	–	(513)	(513)
Total comprehensive expense for the year	10	–	–	–	–	–	(513)	(513)
Transactions with owners:								
Share options								
Credit in relation to employee share schemes	26	–	–	–	–	351	–	351
At 31 December 2013		**14,162**	**130,304**	**13,599**	**–**	**4,993**	**(130,648)**	**32,410**
Year ended 31 December 2014:								
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(535)**	**(535)**
Total comprehensive expense for the year	10	**–**	**–**	**–**	**–**	**–**	**(535)**	**(535)**
Transactions with owners:								
Share options								
Credit in relation to employee share schemes	26	**–**	**–**	**–**	**–**	**220**	**–**	**220**
Issue of shares excluding options	23, 24	**11,497**	**12,771**	**–**	**–**	**–**	**–**	**24,268**
Costs of share issues	24	**–**	**(1,460)**	**–**	**–**	**–**	**–**	**(1,460)**
Realisation of merger reserve	28	**–**	**–**	**(12,019)**	**–**	**–**	**12,019**	**–**
At 31 December 2014		**25,659**	**141,615**	**1,580**	**–**	**5,213**	**(119,164)**	**54,903**

1, Accounting policies

Oxford BioMedica plc (the Company) is a company incorporated and domiciled in the United Kingdom and listed on the London Stock Exchange. The consolidated financial statements for the year ended 31 December 2014 comprise the results of the Company and its subsidiary undertakings (together referred to as the Group). The Company's principal subsidiary is Oxford BioMedica (UK) Limited.

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

Basis of preparation

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

The financial statements have been prepared in accordance with IFRIC interpretations, as applicable to companies using International Financial Reporting Standards ('IFRS') as adopted by the European Union and with the Companies Act 2006 under the historic cost convention.

As more fully explained in the Directors' report on pages 72 to 75 and below, the going concern basis has been adopted in preparing the financial statements.

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

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

Going concern

The Group had £14.2m of cash at the end of 2014 and is now generating profitable revenues from its manufacturing activities. However, it will incur substantial capital expenditure over the next 15 months as it expands manufacturing and analytical testing capacity to enable it to meet the volumes expected under the Novartis contracts. In the absence of any further upfront receipts from potential product or IP licence deals, the Directors estimate that the cash held by the Group including known cash inflows will be sufficient to support the current level of activities into the first quarter of 2016. Known cash inflows include a proportion of the contractual milestone payments from Novartis which are based on process development progress continuing at its current rate.

The Directors have also considered the range of potential sources of cash to the Group and expect to be able to secure adequate resources should they be required. Whilst the Directors have confidence that such resources could be obtained, no such additional resources are committed at the date of these financial statements. In the absence of securing such funds or other sources of cash the Group would choose to curtail or suspend part of its capital expenditure programme until such funds were secured.

After due consideration, the Directors are of the view that the Group will have access to adequate resources to allow the Group to continue for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

Accounting developments

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2014, but are not currently relevant for the Group.

- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- Amendments to IFRS 10,11 and 12 on transition guidance
- IAS 27 (revised 2011) 'Separate financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities (not yet endorsed by the EU)
- Amendments to IAS 32 on Financial instruments asset and liability offsetting
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (not yet endorsed by the EU)
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting
- IFRIC 21, 'Levies' (not yet endorsed by the EU)

The new standards, new interpretations and amendments to standards and interpretations listed below have been issued but are not effective for the financial year beginning 1 January 2014 and have not been adopted early.

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

- Amendment to IAS 19 regarding defined benefit plans
- Annual improvements 2012 (not yet endorsed by the EU)
- Annual improvements 2013 (not yet endorsed by the EU)
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation (not yet endorsed by the EU)
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation (not yet endorsed by the EU)
- Amendments to IAS 16, 'Property, plant and equipment', and IAS 14, 'Agriculture', regarding bearer plants (not yet endorsed by the EU)
- IFRS 14, 'Regulatory deferral accounts' (not yet endorsed by the EU)
- Amendments to IAS 27, 'Separate financial statements' on the equity method (not yet endorsed by the EU)
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' (not yet endorsed by the EU)
- Annual improvements 2014 (not yet endorsed by the EU)
- IFRS 15, 'Revenue from contracts with customers' (not yet endorsed by the EU)
- IFRS 9, 'Financial instruments' (not yet endorsed by the EU)

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

All intragroup transactions and balances are eliminated on consolidation.

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

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

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

Revenue
Revenue comprises income derived from product and technology licence transactions, funded research and development programmes, fees charged for providing development services to third parties, and manufacturing of clinical product for third parties.

Product and technology licence transactions typically have an initial upfront non-refundable payment on execution of the licence, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Where the initial amount received is non-refundable and there are no ongoing commitments from the Group, and the licence has no fixed end date, the Group recognises the amount received up front as a payment in consideration of the granting of the licence on execution of the contract. Amounts receivable in respect of milestone payments are recognised as revenue when the specific conditions stipulated in the licence agreement have been met.

Payments linked to "success" such as regulatory filing or approval, or the achievement of specified sales volumes, are recognised in full when the relevant event has occurred. Maintenance fees within the contracts are spread over the period to which they relate. Otherwise, amounts receivable are recognised in the period in which related costs are incurred, or over the estimated period to completion of the relevant phase of development or associated clinical trials.

Research and development funding is recognised as revenue over a period that corresponds with the performance of the funded research and development services.

Fees charged for providing development services to third parties are recognised during the period in which the service is rendered on a percentage of completion basis.

Manufacturing of clinical product for third parties is recognised under IAS11, construction contracts, with revenues recognised on a percentage of completion basis dependent on the stage of completion of the contract.

The gross amount due from customers on all contracts in progress for which costs incurred plus recognised profits exceed progress billings, is presented as an asset separately on the balance sheet. Consideration received in excess of the stage of completion will be deferred until such time as it is appropriate to recognise the revenue.

Cost of sales
Cost of sales comprises the cost of manufacturing clinical product for third parties and royalties arising on third party licenses.

The cost of manufacturing clinical product for third parties includes the raw materials, labour costs, overheads and other directly attributable costs. Costs are recognised on a percentage of completion basis dependent on the stage of completion of the contract. Costs incurred in excess of the stage of completion are recognised as work in progress until such time as it is appropriate to recognise the cost.

The Group's products and technologies include technology elements that are licensed from third parties. Royalties arising from such third party licenses are treated as cost of sales. Where royalties due have not been paid they are included in accruals. Where revenue is spread over a number of accounting periods, the royalty attributable to the deferred revenue is included in prepayments.

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

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

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

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

Employees may be awarded deferred bonuses in the form of share options. These options will vest provided the employees are still employed by the Group on certain specified future dates and are exercisable from those dates onwards. The fair value of the options granted is recognised as an expense of employment in the statement of comprehensive income on an accruals basis. These share options will be satisfied by market-purchased shares held by the Group as treasury shares until vesting, at which point they are released to retained earnings along with the related accrual.

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

Grants
Income from government and other grants is recognised over the period necessary to match them with the related costs which they are intended to compensate. Grant income is included as other operating income within the statement of comprehensive income, and the related costs are included within research and development costs and administrative expenses. The difference between grant income receivable and income recognised is included in deferred income.

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

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

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

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

Intangible assets
Intellectual property and in-process research and development acquired through business combinations are recognised as intangible assets at fair value. Other acquired intangible assets are initially recognised at cost. Where the intangible asset has a finite life, amortisation is charged on a straight line basis over the remaining useful economic life from the time they become available for use. Where the useful life of the intangible asset cannot be determined, the asset is carried at cost but tested annually for impairment. Intangible assets are amortised over the length of the patent life; current lives range from 5 to 19 years. The carrying value of non-financial assets is reviewed annually for impairment or earlier if an indication of impairment occurs and provision made where appropriate. Charges or credits for impairment are passed through the statement of comprehensive income.

For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash-generating units. Impairment losses are recognised for the amount by which each asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset is no longer being developed by the Group, sales value less cost to sell is used as the recoverable amount. Value in use is calculated using estimated discounted future cash flows. Key assumptions in the discounted cash flow calculations are:

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

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

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

— The resulting cash receipts are discounted at an appropriate discount rate

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

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

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

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

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

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

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

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

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

Financial assets: investments
Investments are carried at cost less any provision made for impairment. Options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with UITF44, the Company treats the value of these awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment. Investments in subsidiary undertakings, including shares and loans, are carried at cost less any impairment provision. Such investments are subject to review, and any impairment is charged to the statement of comprehensive income. At each year end the Directors review the carrying value of the Company's investment in subsidiaries. Where there is a material and sustained shortfall in the market capitalisation, or a significant and sustained change in the business resulting in a decrease in market capitalisation, the Directors consider this to be a trigger of an impairment review as set out in IAS 36, and the carrying value of the Company's investments in subsidiaries is adjusted. The Directors consider that reference to the market capitalisation of the Group is an appropriate external measure of the value of the Group for this purpose.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

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

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

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

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

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

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

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

Treasury reserve
The treasury reserve holds market-purchased ordinary shares awarded to employees as deferred bonuses until such time as they vest in the employee.

2, Critical accounting judgements and estimates

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

Revenue recognition
In October 2014, the Group entered into a series of contractual arrangements with Novartis, including a licence over the Group's existing Lentivector platform, a manufacturing and clinical supply agreement and an agreement covering process development. Total amounts of up to $90m, plus further potential royalties, are receivable under these arrangements. These amounts include $4.3m of shares subscribed for by Novartis on completion of the arrangements.

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

Management has judged that this amount should be recognised as a separate deliverable in 2014 discrete from amounts to be recognised over the period of the 3-year manufacturing contract. This judgement is based on management being satisfied that the customer is able and intends to realise value from this licence independently from any further intellectual property generated in the collaboration and that its fair value is sufficiently reliable. In reaching this judgement management had regard to several considerations including:

— The existing intellectual property covered by the licence is sufficient to allow CTL019 to be manufactured for commercial use, and any intellectual property that might arise from the process development under the contract is not a pre-requisite for its commercial manufacture.

— The licence allows Novartis to use the existing intellectual property for other oncology products apart from CTL019.

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

— The $7.7m rate is comparable with similar transactions with third parties that the Group has previously contracted, taking into account the stage of development and the market potential of the product.

This judgement reflects both the separability of the licence for the existing intellectual property and the assessment of the fair values of each of the components of the Novartis agreements.

Intangible asset impairment
The Group has significant intangible assets arising from purchases of intellectual property rights and in-process R&D. Amortisation is charged over the assets' patent life on a straight line basis from the date that the asset becomes available for use. When there is an indicator of a significant and permanent reduction in the value of intangible assets, an impairment review is carried out. The impairment analysis is principally based on estimated discounted future cash flows. Actual outcomes could vary significantly from such estimates of discounted future cash flows, due to the sensitivity of the assessment to the assumptions used. The determination of the assumptions is subjective and requires the exercise of considerable judgement. Any changes in key assumptions about the Group's business and prospects, or changes in market conditions affecting the Group, or its development partners, could materially affect whether an impairment exists. This risk is now concentrated on purchased patent rights which have been sublicensed to collaborative partners. At 31 December 2014 the book value of intangible assets was £2.1 million of which £1.5 million related to PrimeBoost technology.

Going concern
Management and the Directors have had to make estimates and important judgements when assessing the going concern status of the Group. The conclusions of these estimates and judgements are reported in several places in this annual report including the Directors Report (page 74) and Note 1 to the financial statements (page 85).

3, Financial risk management

Financial risk factors
The Group has a simple corporate structure with the Company and its only operating subsidiary both being UK domiciled. Until the end of 2013, the Group has been financed entirely by equity. Monitoring of financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually. The Group's agreed policies are implemented by the Chief Financial Officer, who submits reports at each board meeting. The Group does not use financial derivatives, and it is the Group's policy not to undertake any trading in financial instruments.

(a) Foreign exchange risk
In 2014 the Group's revenues were mostly receivable in Sterling and United States Dollars, and certain of its expenditures are payable in Euros and United States Dollars. The majority of operating costs are denominated in Sterling. A 10% difference in the £/$ exchange rate would have had an impact of approximately £385,000 over the year. In the future, this could present a possible source of foreign exchange risk. The Group also has exposure to the £/€ exchange rate due to the need to fund expenditure denominated in Euros. Had the pound been 10% weaker in relation to the Euro, the increased cost in 2014 would have been approximately £234,000. The Group's policy is to hold the majority of its funds in Sterling. No other hedging of foreign currency cash flows is undertaken.

(b) Interest rate risk
During 2014 the Group drew down £1.0 million of the £5.3 million loan facility available under the Government's Advanced Manufacturing Supply Chain Initiative (AMSCI). The loan carries interest at 6% per annum and is repayable in equal quarterly instalments between 30 June 2016 and 31 March 2017.

During the year the Group also drew down £1.5 million of a £5 million loan facility from Vulpes Life Sciences Fund which was approved by shareholders in January 2014. This £1.5 million was fully repaid, and the loan facility with Vulpes has now been cancelled.

The Group's policy is to maximise interest receivable on deposits, subject to maintaining access to sufficient liquid funds to meet day to day operational requirements, and preserving the security of invested funds. With the current low level of bank interest rates, interest receivable on bank deposits in 2014 was just £53,000 (2013: £64,000).

If interest rates had been 100 basis points higher/lower in 2014 the impact on net loss would have been a increase/decrease of £21,000 (2013: £42,000) due to changes in the amount of interest receivable.

(c) Credit and liquidity risk
Cash balances are mainly held on short and medium term deposits with financial institutions with a credit rating of at least A, in line with the Group's policy to minimise the risk of loss.

Derivative financial instruments and hedging
There were no derivatives at 31 December 2014 or 31 December 2013, and hedge accounting has not been used.

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

4, Segmental analysis

Segmental reporting

The chief operating decision-maker has been identified as the Senior Executive Team (SET), comprising the Executive Directors, Kyriacos Mitrophanous and James Miskin. The SET considers that the business comprises a single activity, which is biotechnology research and development, and the related manufacturing. The SET reviews the Group's financial performance on a whole-company, consolidated basis in order to assess performance and allocate resources. Therefore the segment financial information is the same as that set out in the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows and the consolidated statement of changes in equity.

The Group's revenue derives wholly from assets located in the United Kingdom. Analysed by location of customers, revenue derives predominantly from Europe.

Revenue by customer location	2014 £'000	2013 £'000
Europe	**13,323**	4,316
Rest of world	**295**	1,059
Total revenue	**13,618**	5,375

5, Employees and Directors

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

By activity	2014 Number	2013 Number
Office and management	16	14
Research, development and manufacturing	97	81
Total	**113**	**95**

Employee benefit costs	2014 £'000	2013 £'000
Wages and salaries [1]	6,566	4,934
Social security costs	762	610
Other pension costs (Note 30)	378	346
Termination benefits		208
Share based payments (Note 26)	220	351
Total employee benefit costs	**8,038**	**6,449**

Key management compensation	2014 £'000	2013 £'000
Wages and salaries [1]	2,847	1,908
Social security costs	349	278
Other pension costs	135	147
Termination benefits	105	208
Share based payments	142	204
Total	**3,578**	**2,745**

[1] Wages and salaries include cash-settled bonuses

The key management figures above include Executive and non-Executive Directors and other senior managers. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 52 to 71, which forms part of these financial statements.

The Company had no employees during the year (2013: zero).

6, Finance income and costs

Group	2014 £'000	2013 £'000
Finance income:		
Bank interest receivable	**53**	64
Total finance income	**53**	64
Finance costs:		
Unwinding of discount in provisions (Note 20)	**(3)**	(4)
Interest payable	**(235)**	–
Total finance costs	**(238)**	(4)
Net finance income	**(185)**	60

Interest payable consists of interest paid on the Vulpes Loan facility (Note 33) as well as interest paid on the UK Government's Advanced Manufacturing Supply Chain Initiative (Note 19).

7, Expenses by nature

		Group		Company	
	Notes	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Employee benefit costs	5	**8,038**	6,449	**163**	172
Depreciation of property, plant and equipment	12	**703**	671	**–**	–
Amortisation	11	**396**	396	**–**	–
Raw materials and consumables used in manufacturing		**2,334**	877	**–**	–
Research and development		**16,986**	13,750	**–**	–
Operating lease payments		**568**	558	**–**	–
Net gain on foreign exchange		**(233)**	(116)	**–**	–

Company employee benefit costs of £163,000 (2013: £172,000) relates to non-Executive Director's costs paid by Oxford BioMedica (UK) Ltd and recharged to the Company. Since April 2013 non-Executive Directors' fees have been paid through Oxford BioMedica (UK) Ltd's payroll system and recharged to Oxford BioMedica Plc. Previously the fees had not been recharged.

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

	Group	
Services provided by the Group's auditors	2014 £'000	2013 £'000
Fees payable for the audit of the parent company and consolidated financial statements	**25**	25
Fees payable for other services:		
The audit of the Company's subsidiaries	**90**	66
Other services	**5**	4
Tax advisory services	**8**	46
Tax compliance services	**30**	14
Corporate finance relating to the shareholder circular	**–**	13
Services relating to completed company finance transactions [1]	**185**	–
Total	**343**	168

[1] Acting as reporting accountant on the June 2014 fundraise

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 2014 comprises the credit receivable by the Group for the year and 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 2014 have not yet been agreed with the relevant tax authorities.

	Group	
	2014 £'000	2013 £'000
Current tax		
United Kingdom corporation tax research and development credit	**(2,000)**	(1,500)
Overseas taxation	**(51)**	(3)
	(2,051)	(1,503)
Adjustments in respect of prior periods		
United Kingdom corporation tax research and development credit	**(86)**	(142)
Overseas taxation	**–**	(22)
Taxation credit	**(2,137)**	(1,667)

The Company has no tax liability, nor is it entitled to tax credits (2013: £nil).

The tax credit for the year is lower (2013: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Loss on ordinary activities before tax	**(10,798)**	(12,763)	**(535)**	(513)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	**(2,322)**	(2,967)	**(115)**	(119)
Effects of:				
Tax depreciation and other timing differences	**179**	220	**–**	–
Expenses not deductible for tax purposes (includes impairment of investments in subsidiaries)	**73**	98	**–**	–
R&D relief mark-up on expenses	**(1,672)**	(1,817)	**–**	–
Difference in rate relating to R&D tax credits	**1,199**	1,676	**–**	–
Tax deduction for share options less than share option accounting charge	**88**	46	**–**	–
Overseas tax	**(51)**	–	**–**	–
Tax losses carried forward to future periods	**455**	1,241	**115**	–
Adjustments in respect of prior periods	**(86)**	(164)	**–**	–
Current tax credit for the year	**(2,137)**	(1,667)	**–**	(119)

At 31 December 2014, the Group had tax losses to be carried forward of approximately £96.0 million (2013: £94.8 million). Of the Group tax losses, £96.0 million (2013: £94.8 million) arose in the United Kingdom.

There is no deferred tax recognised (see Note 22).

9, Basic loss and diluted loss per ordinary share

The basic loss per share has been calculated by dividing the loss for the year by the weighted average number of shares in issue during the year ended 31 December 2014 (2,019,291,808; 2013: 1,416,149,005).

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

10, Loss for the financial year

As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements. The Company's loss for the year was £535,000 (2013: £513,000).

11, Intangible assets

Intangible assets comprise Intellectual Property rights.

	2014 £'000	2013 £'000
At 1 January	**5,591**	5,493
Additions	**–**	98
At 31 December	**5,591**	5,591
Accumulated amortisation and impairment		
At 1 January	**2,958**	2,562
Amortisation charge for the year	**396**	396
Impairment charge for the year	**131**	–
At 31 December	**3,485**	2,958
Net book amount at 31 December	**2,106**	2,633

For intangible assets regarded as having a finite useful life amortisation commences when products underpinned by the intellectual property rights become available for use. Amortisation is calculated on a straight line basis over the remaining patent life of the asset. Amortisation of £396,000 (2013: £396,000) is included in 'Research and development costs' in the statement of comprehensive income.

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

The Company had no intangibles at 31 December 2014 or 31 December 2013.

Following the cancellation of the Fire and Mello RNAi licenses the related intangible asset was fully impaired resulting in an impairment charge of £131,000.

12, Property, plant and equipment

	Freehold property £'000	Short leasehold improvements £'000	Office equipment and computers £'000	Manufacturing and Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2014	3,225	2,623	621	4,265	10,734
Additions at cost	4,142	166	199	1,070	5,577
At 31 December 2014	**7,367**	**2,789**	**820**	**5,335**	**16,311**
Accumulated depreciation					
At 1 January 2014	476	2,515	543	3,130	6,664
Charge for the year	222	64	52	365	703
At 31 December 2014	**698**	**2,579**	**595**	**3,495**	**7,367**
Net book amount at 31 December 2014	**6,669**	**210**	**225**	**1,840**	**8,944**

	Freehold property £'000	Short leasehold improvements £'000	Office equipment and computers £'000	Manufacturing and Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2013	3,130	2,604	591	3,570	9,895
Additions at cost	95	19	30	695	839
At 31 December 2013	**3,225**	**2,623**	**621**	**4,265**	**10,734**
Accumulated depreciation					
At 1 January 2013	258	2,449	467	2,819	5,993
Charge for the year	218	66	76	311	671
At 31 December 2013	**476**	**2,515**	**543**	**3,130**	**6,664**
Net book amount at 31 December 2013	**2,749**	**108**	**78**	**1,135**	**4,070**

The Company had no property, plant and equipment at 31 December 2014 or 31 December 2013.

On 13 October 2014, the Group announced that it had acquired the freehold of the Windrush Court office and laboratory facilities for a cash consideration of £3.2 million. This, together with stamp duty and other related legal costs constitutes a significant part of the Freehold property additions for 2014.

13, Investment in subsidiaries

Fixed asset investments: Company	2014 £'000	2013 £'000
Shares in group undertakings		
At 1 January and 31 December	**17,158**	17,158
Loans to group undertakings		
At 1 January	**138,290**	138,082
Loan advanced in the year	**21,022**	208
At 31 December	**159,312**	138,290
Total investments in shares and loans to group undertakings	**176,470**	155,448
Impairment		
At 1 January	**128,041**	128,041
At 31 December	**128,041**	128,041
Net book amount at 31 December	**48,429**	27,407
Capital contribution in respect of employee share schemes (see Note 26)		
At 1 January	**4,993**	4,642
Additions in the year	**220**	351
At 31 December	**5,213**	4,993
Total investments	**53,642**	32,400

The Group had no investments at 31 December 2014 (2013: 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	100%	Not active
Oxxon Therapeutics Limited	Great Britain	1p ordinary shares	100%	Dormant

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

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

At each year end the Directors review the carrying value of the Company's investment in subsidiaries. Where there is a material and sustained shortfall in the market capitalisation, or a significant and sustained change in the business resulting in a decrease in market capitalisation, the Directors consider this to be a trigger of an impairment review as set out in IAS 36, and the carrying value of the Company's investments in subsidiaries is adjusted. The Directors consider that reference to the market capitalisation of the Group is an appropriate external measure of the value of the Group for this purpose. Following an impairment review at 31 December 2014 no impairment charge was assessed to be required.

BioMedica Inc completed the process of being liquidated subsequent to year end.

14, Inventories

Group	2014 £'000	2013 £'000
Raw Materials	**1,214**	558
Work-in-progress	**193**	122
Total inventory	**1,407**	680

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

The Company holds no inventories.

15, Trade and other receivables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Current				
Trade receivables	**3,621**	1,040	**–**	–
Accrued income	**340**	637	**–**	–
Other receivables	**16**	28	**–**	–
Other tax receivable	**397**	285	**–**	–
Prepayments	**779**	602	**11**	3
Total trade and other receivables	**5,153**	2,592	**11**	3

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £66,000 (2013: £142,000) which are past due at the reporting date. The Group does not hold any collateral over these balances. No provision for impairment of receivables has been recognised as the Directors do not believe there has been a significant change in credit quality and consider the remaining amounts to be recoverable in full.

Ageing of past due but not impaired trade receivables:

	2014 £'000	2013 £'000
0 – 30 days	**64**	95
30 – 60 days	**–**	–
60+ days	**2**	47
	66	142

Accrued income of £340,000 (2013: £637,000) arises where work has been undertaken which is recoverable from third parties but which has not yet been invoiced.

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

	2014 £'000	2013 £'000
Sterling	**4,992**	1,993
US Dollar	**161**	599
	5,153	2,592

The Company's receivables are all denominated in Sterling.

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

16, Cash and cash equivalents

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Cash at bank and in hand	**14,195**	2,169	**1,291**	43

17, Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Trade payables	**2,787**	1,218	**–**	–
Other taxation and social security	**270**	201	**–**	–
Accruals	**3,247**	1,515	**41**	36
Total trade and other payables	**6,304**	2,934	**41**	36

18, Deferred income

Group	**2014 £'000**	2013 £'000
Current	**2,927**	1,280
Total deferred income	**2,927**	1,280

Deferred income arises from contractual agreements with customers.

The Company had no deferred income in 2014 or 2013.

19, Loans

During April 2014 the Group drew down a tranche of £1.0 million of the £5.3 million facility made available under the UK Government's Advanced Manufacturing Supply Chain Initiative. The loan carries interest at 6% per annum and is repayable in equal quarterly instalments between 30 June 2016 and 31 March 2017.

20, Provisions

Group	Dilapidations £'000
At 1 January 2014	532
Unwinding of discount	3
At 31 December 2014	**535**
At 1 January 2013	510
Unwinding of discount	4
Change of discount rate – adjustment to recognised property, plant and equipment	18
At 31 December 2013	**532**

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

The Company had no provisions at 31 December 2014 or 31 December 2013.

21, Financial instruments

The Group's and Company's financial instruments comprise cash and cash equivalents, trade and other receivables, and trade and other payables. Additional disclosures are set out in the corporate governance statement and in Note 3 relating to risk management.

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

	Assets		Liabilities	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Cash and cash equivalents (Note 16)	**14,195**	2,169	**–**	–
Trade receivables and other receivables (Note 15)	**3,637**	1,068	**–**	–
Trade and other payables excluding tax (Note 17)	**–**	–	**6,034**	2,733
	17,832	3,237	**6,034**	2,733

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.

	2014			2013		
	Year end deposits		Yr. average	Year end deposits		Yr. average
	Weighted average rate	Weighted average term	Weighted average rate	Weighted average rate	Weighted average term	Weighted average rate
Sterling	**0.84%**	**79 days**	**0.51%**	1.22%	205 days	1.27%

In accordance with IAS 39 'Financial instruments: Recognition and measurement' the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they meet certain requirements set out in the standard. There were no such derivatives identified at 31 December 2014 or 31 December 2013.

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

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

	2014 £'000	2013 £'000
Sterling	**10,378**	1,982
US Dollar	**3,817**	187
	14,195	2,169

22, Deferred taxation

Neither the Company nor the Group had any recognised deferred tax assets or liabilities at 31 December 2014 (2013: £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.

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Group Deferred tax (assets)/liabilities – not recognised	Tax depreciation £'000	Provisions £'000	Tax losses £'000	Share options £'000	Total £'000
At 1 January 2014	(807)	(116)	(18,955)	(64)	(19,942)
Origination and reversal of temporary differences	(64)	(4)	(323)	(82)	(473)
At 31 December 2014	**(871)**	**(120)**	**(19,278)**	**(146)**	**(20,415)**
At 1 January 2013	(741)	(124)	(20,912)	(38)	(21,815)
Origination and reversal of temporary differences	(66)	8	1,957	(26)	1,873
At 31 December 2013	**(807)**	**(116)**	**(18,955)**	**(64)**	**(19,942)**

23, Ordinary shares

Group and Company Issued and fully paid	2014 £'000	2013 £'000
Ordinary shares of 1p each		
At 1 January – 1,416,149,005 (2013: 1,416,149,005) shares	**14,162**	14,162
Allotted for cash in placing and open offer – 1,078,435,914 (2013: nil) shares	**10,784**	–
Allotted for cash to Novartis – 70,807,500 (2013: nil) shares	**708**	–
Allotted on exercise of share options – 504,347 (2013: nil) shares	**5**	–
At 31 December – 2,565,896,766 (2013:1,416,149,005) shares	**25,659**	14,162

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

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

24, Share premium account

Group and Company	2014 £'000	2013 £'000
At 1 January	**130,304**	130,304
Premium on shares issued for cash in placing and open offer	**10,784**	–
Premium on shares issued for cash to Novartis	**1,979**	–
Premium on exercise of share options	**8**	–
Costs associated with the issue of shares	**(1,460)**	–
At 31 December	**141,615**	130,304

25, Options over shares of Oxford BioMedica plc

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

— 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)

Share options are granted to Executive Directors and selected senior managers under the Group's Long Term Incentive Plan (LTIP) and to other employees under the Share Option Scheme. All option grants are at the discretion of the Remuneration Committee.

Options granted under the LTIP to Directors and other senior managers are subject to market condition performance criteria and will vest only if, at the third anniversary of the grant, the performance criteria have been met. Failure to meet the minimum performance criteria by the third anniversary results in all the granted options lapsing. The performance criteria are described in the Directors' remuneration report. LTIP awards made to date are exercisable at par on the third anniversary of the date of grant and lapse 10 years after being granted.

Options granted under the 2007 Share Option Scheme have fixed exercise prices based on the market price at the date of grant. They are not subject to market condition performance criteria and the lives of the options are ten years, after which the options expire. Options granted prior to 2012 cannot normally be exercised before the third anniversary of the date of grant. Options granted under the 2007 Scheme during 2012 to 2014, with one exception, vest in tranches of 25% from the first to fourth anniversaries of the grant dates.

Share options outstanding at 31 December 2014 have the following expiry date and exercise prices:

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

2014 Number of shares	2013 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
525,000	550,000	5.75p	13/10/11	13/10/18
244,883	244,883	6.10p	25/03/12	25/03/19
2,116,105	2,270,248	5.4p to 5.8p	15/03/14 to 04/10/14	15/03/21 to 04/10/21
4,318,816	4,812,752	2.3p to 3.1p	08/05/13 to 21/12/13*	08/05/22 to 21/12/22
7,401,578	8,309,593	1.6p to 2.8p	22/05/14 to 19/11/14*	22/05/23 to 19/11/23
7,295,899	–	2.0p to 4.0p	03/06/15 to 17/10/15*	03/06/24 to 17/10/24
21,902,281	**16,187,476**			

* With one exception, options granted in 2012, 2013 and 2014 are vesting in 25% tranches on the first to fourth anniversaries of the grant date. The date from which exercisable shows the date on which the first 25% vests

Options granted under the Oxford BioMedica Long Term Incentive Plan

2014 Number of shares	2013 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
1,150,000	1,150,000	1p	Vested	13/10/18
– [1]	6,537,000	1p	N/A	N/A
25,590,000[2]	25,590,000	1p	30/06/15	30/06/22
19,501,808[2]	19,501,808	1p	12/06/16	12/06/23
20,879,740[2]	–	1p	20/6/17 to 17/10/17	20/6/24 to 17/10/24
67,121,548	**52,778,808**			
89,023,829	**68,966,284**			

Note 1 – the LTIP awards granted in 2011 lapsed without vesting during 2014 as the performance conditions were not met
Note 2 – these LTIP awards will vest provided that performance conditions specified in the Directors' remuneration report are met

Deferred Share Awards

The Executive Directors and certain other senior managers have been awarded deferred bonuses in the form of share options. These options will vest provided that the managers are still employed by the Group on certain specified future dates and are exercisable at nil p on either the first 3 anniversaries of the grant or the third anniversary of the grant dependent on the option conditions. These options will be satisfied by market-purchased shares held by the Oxford BioMedica Employee Benefit Trust (EBT). The EBT has purchased and currently holds 4,661,253 shares to meet options which will vest annually between 20 June 2015 to 20 June 2017 and 2,500,000 shares to meet options which will vest on 17 October 2017. The EBT is consolidated at year end with the shares held in trust accounted for as part of the treasury reserve within equity (Note 28).

Certain options granted to UK employees could give rise to a national insurance (NI) liability on exercise. A provision of £7,000 (2013: £2,000) is included in accruals for the potential NI liability accrued to 31 December on exercisable options that were above water, based on the year-end share price of 5.25p (2013: 2.3p) per share.

26, Share based payments

The fair values of options granted during the year were calculated using the following assumptions:

Share options (Model used: Black-Scholes)	Share options granted 3 June 2014 and 17 October 2014
Share price at grant date	2.0p and 4.0p
Exercise price	2.0p and 4.0p
Vesting period (years)	25% annual tranches
Total number of shares under option	7,295,899
Expected volatility	55%
Expected life (years)	4 to 7 depending on tranche
Risk free rate	1.3% to 2.3% depending on life
Expected rate of forfeit before vesting	5% to 25%
Fair value per option	0.9p and 2.3p

LTIP awards (Model used: Monte Carlo)	LTIPs awarded 20 June 2014 and 17 October 2014
Share price at grant date	2.7p and 3.9p
Exercise price	1.00p
Vesting period (years)	3
Total number of shares under option	20,879,740
Expected volatility (weighted average)	55%
Expected life (years)	3
Risk free rate (weighted average)	1.9% and 1.0%
Expected rate of forfeit before vesting (weighted average)	0.0%
Expectation of meeting performance criteria (weighted average)	14% and 23%
Fair value per option	1.0p and 1.9p

The tables below show the movements in both the Share Option Scheme and the LTIP during the year together with the related weighted average exercise prices.

Excluding the LTIP awards which are exercisable at par, the weighted average exercise price for options granted during the year was 2.7p (2013: 2.1p).

504,347 options were exercised in 2014 (2013 nil).

The total charge for the year relating to employee share based payment plans was £220,000 (2013: £351,000), all of which related to equity-settled share based payment transactions.

Share options excluding LTIP	2014 Number	2014 Weighted average exercise price	2013 Number	2013 Weighted average exercise price
Outstanding at 1 January	**16,187,476**	**3.0p**	13,600,219	9.1p
Granted	**7,474,006**	**2.7p**	8,819,344	2.1p
Expired	**–**	**–**	(4,721,278)	18.4p
Forfeited	**(1,254,854)**	**2.9p**	(1,510,809)	4.3p
Exercised	**(504,347)**	**2.5p**	–	–
Outstanding at 31 December	**21,902,281**	**3.0p**	16,187,476	3.0p
Exercisable at 31 December	**7,901,140**	**3.7p**	794,883	5.9p
Exercisable and where market price at 31 December exceeds exercise price	**5,077,085**	**2.7p**	–	N/A

LTIP awards (options exercisable at par value 1p)	2014 Number	2013 Number
Outstanding at 1 January	**52,778,808**	38,845,000
Granted	**20,879,740**	19,501,808
Expired	**(6,537,000)**	(5,568,000)
Outstanding at 31 December	**67,121,548**	52,778,808
Exercisable at 31 December	**1,150,000**	1,150,000

Range of exercise prices	2014 Weighted average exercise price	2014 Number of shares	2014 Weighted average remaining life (years) Contractual	2013 Weighted average exercise price	2013 Number of shares	2013 Weighted average remaining life (years) Contractual
LTIP:						
Exercisable at par	**1.0p**	**67,121,548**	**8.3**	1.0p	52,778,808	8.6
Options:						
1p to 3p	**2.1p**	**12,126,453**	**8.9**	2.1p	8,517,593	9.6
3p to 5p	**3.4p**	**6,889,840**	**8.3**	3.1p	4,604,752	8.4
5p to 7p	**5.6p**	**2,885,988**	**5.9**	5.6p	3,065,131	6.9
		89,023,829			68,966,284	

27, Accumulated losses

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
At 1 January	**(149,196)**	(138,451)	**(130,648)**	(130,135)
Loss for the year	**(8,661)**	(11,096)	**(535)**	(513)
Share based payments (Note 26)	**220**	351	**–**	–
Realisation of merger reserve	**12,019**	–	**12,019**	–
At 31 December	**(145,618)**	(149,196)	**(119,164)**	(130,648)

Neither the Company nor its subsidiary undertakings had reserves available for distribution at 31 December 2014 or 31 December 2013.

28, Other reserves

Group	Translation reserve £'000	Merger reserve £'000	Treasury reserve £'000	Total £'000
At 1 January 2014	(682)	14,310	–	13,628
Realisation of merger reserve	–	(12,019)	–	(12,019)
Deferred Share Awards (Note 25)	–	–	(226)	(226)
At 31 December 2014	**(682)**	**2,291**	**(226)**	**1,383**
At 1 January 2013	(682)	14,310	–	13,628
At 31 December 2013	**(682)**	**14,310**	**–**	**13,628**

The Group merger reserve at 31 December 2014 and 2013 comprised £711,000 arising from consolidation of Oxford BioMedica (UK) Limited using the merger method of accounting in 1996 and £1,580,000 from the application of merger relief to the purchase of Oxxon Therapeutics Limited in 2007. During the year the Group transferred the realised portion of the Merger reserve (£12,019,000) to retained earnings.

The treasury reserve consists of 7,161,253 ordinary shares awarded as deferred shares and held in trust until such time as they vest (Note 25).

Company	Merger reserve £'000	Share scheme reserve £'000
At 1 January 2014	13,599	4,993
Credit in relation to employee share schemes	–	220
Realisation of merger reserve	(12,019)	–
At 31 December 2014	**1,580**	**5,213**
At 1 January 2013	13,599	4,642
Credit in relation to employee share schemes	–	351
At 31 December 2013	**13,599**	**4,993**

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 26). 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 £220,000 (2013: £351,000) (see Note 13) and a corresponding credit to reserves.

29, Cash flows from operating activities

Reconciliation of loss before tax to net cash used in operations:

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Continuing operations				
Loss before tax	**(10,798)**	(12,763)	**(535)**	(513)
Adjustment for:				
Depreciation	**703**	671	**–**	–
Amortisation of intangible assets	**396**	396	**–**	–
Charge for impairment	**131**	–	**–**	–
Finance income	**(53)**	(64)	**–**	–
Finance expense	**238**	4	**–**	–
Charge in relation to employee share schemes	**220**	351	**–**	–
Changes in working capital:				
(Increase)/decrease in trade and other receivables	**(2,561)**	(886)	**(8)**	8
Increase in trade and other payables	**3,370**	232	**5**	13
Increase/(decrease) in deferred income	**1,647**	(288)	**–**	–
Increase in provisions	**3**	22	**–**	–
Increase in inventory	**(727)**	(680)	**–**	–
Net cash used in operations	**(7,431)**	(13,005)	**(538)**	(492)

30, Pension commitments

The Group operates a defined contribution pension scheme for its Directors and employees. The assets of the scheme are held in independently administered funds. The pension cost charge of £378,000 (2013: £346,000) represents amounts payable by the Group to the scheme. Contributions of £47,000 (2013: £38,000), included in accruals, were payable to the scheme at the year-end.

31, Operating lease commitments – minimum lease payments

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

Group	**2014 £'000**	2013 £'000
Not later than one year	**714**	652
Later than one year and not later than five years	**492**	805
Over five years	**391**	–
Total lease commitments	**1,597**	1,457

The Group leases equipment under non-cancellable operating lease agreements. The Group also leases its Medawar Centre laboratories and offices, as well as a new manufacturing site at Yarnton, Oxford (in the process of being developed) under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

The Company had no operating lease commitments during the year (2013: none).

32, Contingent liabilities and capital commitments

The Group had commitments of £457,000 for capital expenditure for leasehold improvements, plant and equipment not provided in the financial statements at 31 December 2014 (2013: £25,000).

33, Related party transactions

Identity of related parties
The Group consists of a parent, Oxford BioMedica plc, one wholly-owned trading subsidiary (Oxford BioMedica (UK) Limited), the principal trading company, one dormant subsidiary (Oxxon Therapeutics Limited), which was acquired and became dormant in 2007 when its assets and trade were transferred to Oxford BioMedica (UK) Limited, BioMedica Inc., which stopped trading and became inactive in 2013, and the Oxford BioMedica Employee Benefit Trust (EBT), which holds market-purchased shares to settle deferred share awards (Note 25).

The parent company is responsible for financing and setting group strategy. Oxford BioMedica (UK) Limited carries out the Group strategy, employs all the UK staff including the Directors, and owns and manages all of the Group's intellectual property. The proceeds from the issue of shares by the parent are passed from Oxford BioMedica plc to Oxford BioMedica (UK) Limited as a loan, and Oxford BioMedica (UK) Limited manages group funds and makes payments, including the expenses of the parent company.

Company: transactions with subsidiaries	2014 £'000	2013 £'000
Purchases:		
Parent company expenses paid by subsidiary	**(945)**	(492)
Cash management:		
Cash loaned by parent to subsidiary	**21,967**	700

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	2014 £'000	2013 £'000
Loan to subsidiary	**159,312**	138,290

In addition to the transactions above, options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRIC 11, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in a cumulative increase in the cost of investment of £5,213,000 (2013: £4,993,000).

There were no transactions (2013: none) with Oxxon Therapeutics Limited.

Company: transactions with related parties

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

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

Transactions with Directors and connected persons
There were no outstanding balances in respect of transactions with Directors and connected persons at 31 December 2014 (2013: none) other than commercial debtor balances with Novartis of £3.4 million (2013: £0.5 million).

Key person remuneration can be seen in the Directors' remuneration report on pages 52 to 71.

Glossary

Oxford BioMedica specific terminology

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

ProSavin®/OXB-102: Parkinson's disease
ProSavin® is a gene-based treatment for Parkinson's disease, a progressive movement disorder caused by the degeneration of dopamine producing nerve cells in the brain. ProSavin® uses the Group's LentiVector® platform technology to deliver the genes for three enzymes that are required for the synthesis of dopamine. The product is administered locally to the region of the brain called the striatum, converting cells into a replacement dopamine factory within the brain, thus replacing the patient's own lost source of the neurotransmitter.

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

StarGen™: Stargardt disease
StarGen™ is a gene-based therapy for the treatment of Stargardt disease. The disease is caused by a mutation of the ABCR gene which leads to the degeneration of photoreceptors in the retina and vision loss. StarGen™ uses the Group's LentiVector® platform technology to deliver a corrected version of the ABCR gene. A single administration of the product directly to the retina could provide long-term or potentially permanent correction.

UshStat®: Usher syndrome type 1B
UshStat® is a gene-based therapy for the treatment of Usher syndrome 1B. The disease is caused by a mutation of the gene encoding myosin VIIA (MY07A), which leads to progressive retinitis pigmentosa combined with a congenital hearing defect. UshStat® intends to address vision loss due to retinitis pigmentosa by using the Group's LentiVector® platform technology to deliver a corrected version of the MYO7A gene. A single administration of the product could provide long-term or potentially permanent correction.

EncorStat®: corneal graft rejection
EncorStat® is a gene-based treatment for the prevention of corneal graft rejection. Corneal grafting arises from a need to remove and replace pathology arising in the cornea causing 'clouding'. Although one of the most successfully transplanted tissues, a significant number of grafts are rejected due to vascularisation. EncorStat® uses the Group's LentiVector® platform technology to deliver endostatin and angiostatin *ex vivo* to donor corneas prior to transplant in order to block vascularisation and to prevent graft rejection.

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

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

Glossary

5T4 tumour antigen
The 5T4 tumour antigen is a unique protein found on most common types of solid cancer. It is potentially a valuable target for novel anti-cancer interventions given its restricted expression in normal tissues and its high prevalence on the surface of both primary and metastatic cancerous cells. The 5T4 tumour antigen was identified through research into the similarities between the development of the placenta during pregnancy and the progression of cancer. 5T4 is produced by both cancerous cells and also by placental and foetal cells, suggesting that the process of immunological escape in pregnancy and cancer is based on similar mechanisms.

TroVax® (MVA-5T4): cancer
TroVax® is a therapeutic vaccine that stimulates the immune system to destroy cancerous cells expressing the 5T4 tumour antigen which is present on most solid tumours. The product is based on an attenuated modified vaccinia virus Ankara (MVA), engineered to deliver the 5T4 antigen. Vaccinia viruses are commonly used as delivery systems for the development of antigen-specific vaccines. MVA is the vaccinia strain of choice because of its excellent safety profile.

Anti-5T4 antibodies
A 5T4-targeted antibody drug conjugate which binds to the 5T4 antigen on the surface of cancerous cells. Once bound, the complex is internalised by the tumour cell, the anti cancer agent is released from the antibody, and the free drug kills the cancerous cell.

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

OXB Solutions
Our name for our business which provides development and manufacturing services to third parties.

Terminology not specific to Oxford BioMedica

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

Gene therapy
Gene therapy is the use of DNA to treat disease by delivering therapeutic DNA into a patient's cells. The most common form of gene therapy involves using DNA that encodes a functional, therapeutic gene to replace a mutated gene. Other forms involve directly correcting a mutation, or using DNA that encodes a therapeutic protein drug to provide treatment.

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

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

Clinical trials (testing in humans)
Clinical trials involving new drugs are commonly classified into three phases. Each phase of the drug approval process is treated as a separate clinical trial. The drug-development process will normally proceed through the phases over many years. If the drug successfully passes through all phases it may be approved by the regulatory authorities

- Phase I: Screening for safety
- Phase II: Establishing the efficacy of the drug, usually against a placebo
- Phase III: Final confirmation of safety and efficacy

Pre-clinical studies
Pre-clinical studies (also known as non-clinical studies) is the stage of research that takes place before clinical trials can begin during which important feasibility, iterative testing and drug safety data is collected.

Innovate UK (formerly Technology Strategy Board)
Is the UK's innovation agency. Its role is to stimulate innovation, working with business and other partners, in order to accelerate economic growth.

Advanced Manufacturing Supply Chain Initiative (AMSCI)
The Advanced Manufacturing Supply Chain Initiative is a funding competition designed to improve the global competitiveness of UK advanced manufacturing supply chains.

GxP, GMP, GCP, GLP
GxP is a general term for Good (Anything) Practice. GMP, GCP and GLP are the practices required to conform to guidelines laid down by relevant agencies for manufacturing, clinical and laboratory activities.

CTL019
CTL019 is a clinical trial of T cell therapy for patients with B cell cancers such as acute lymphoblastic leukaemia (ALL), B cell non-Hodgkin lymphoma (NHL), and the adult disease chronic lymphocytic leukaemia (CLL).

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

FDA
The US Food and Drug Administration (FDA) is responsible for protecting the public health by assuring the safety, effectiveness, quality, and security of human and veterinary drugs, vaccines and other biological products, and medical devices.

MHRA
The Medicines and Healthcare Products Regulatory Agency is a UK agency responsible for ensuring that medicines and medical devices work and are acceptably safe.

ANSM
Agence Nationale de Sécurité du Médicament et des Produits de Santé (ANSM) is the French National Security Agency of Medicines and Health Products.

UK Corporate Governance Code (the Code)
The UK Corporate Governance Code is published by the UK Financial Reporting Council and sets out standards of good practice in relationship to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

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