

OXFORD BIOMEDICA
INTERIM REPORT 2004



Oxford BioMedica
specialises in the development
of novel gene-based therapeutics
for the treatment of **cancer** and
neurobiological diseases

Chairman's and Chief Executive's Report

The first half of 2004 has been another period of solid progress for Oxford BioMedica. The Company has achieved key objectives in the development of both its oncology and neurotherapy product portfolios.

In oncology, two further Phase II trials were started with TroVax[®], taking the total number of Phase II trials underway to four, and the first trial with MetXia[®] in pancreatic cancer commenced enrolment. The Company has also reported interim data from two Phase II trials with TroVax in patients with colorectal cancer, alongside chemotherapy. The interim results are encouraging and indicate that the primary endpoints have been met. The Company is in discussion with potential development partners, and is putting in place plans for Phase III trials with TroVax in colorectal cancer.

The neurotherapy pipeline based on the Company's LentiVector[®] technology has also progressed over the period. The lead product,

ProSavin[®] for Parkinson's disease, is on-track to enter clinical trials in 2005. Earlier this year the Company reported preclinical proof of principle data for its Parkinson's disease, motor neuron disease and spinal cord injury products.

The Company has achieved key objectives in the development of both its oncology and neurotherapy product portfolios.

The LentiVector technology was the subject of two license agreements in the first half of 2004 with Merck & Co and Viragen respectively.

Oncology

Oxford BioMedica continues to add value to its two lead oncology products, TroVax and MetXia. Both products are addressing common cancer types that are inadequately treated with current therapies, and both offer novel approaches that are designed to be safer than conventional therapies. The first half of 2004 has seen a substantial drive to initiate additional Phase II trials and accelerate recruitment. Five of six planned Phase II trials are underway with TroVax and MetXia, including the first US trial for TroVax under an IND for renal cell cancer. Also, the interim safety and immunological data from the first Phase II trials with TroVax suggest that the primary endpoints have been achieved. These results support moving towards Phase III trials in colorectal cancer. The targeted antibody therapy collaboration with Wyeth is moving closer to clinical development following Wyeth's decision to exercise its option on a full product license at the end of 2003. Also in 2004,



Oxford BioMedica's animal cancer vaccine, TroVax-Vet[®], has completed relevant proof of concept studies and clinical trials in dogs with pre-existing tumours are planned by the Company's partner Intervet.

TroVax[®]

TroVax is Oxford BioMedica's lead cancer immunotherapy product based on the proprietary tumour associated antigen 5T4. Given the wide distribution of 5T4 on tumours, the product could be used in the treatment of most solid cancers and is in Phase II trials for colorectal and renal cell cancer with a trial in breast cancer expected to start before the end of the year.

In the first half of the year, the ongoing monitoring of patient survival in the completed Phase I/II trials in patients with Stage IV colorectal cancer generated further promising data. These initial trials investigated treatment with TroVax as a single agent in patients who had completed chemotherapy. The Company has previously reported that the Phase I/II trials have met all the pre-designed endpoints of safety, observable tumour responses and specific immune responses to 5T4. The updated survival assessment of patients has been subjected to independent statistical analysis which showed

that the anti-5T4 responses correlated with improved survival of patients. The statistical confidence of this correlation was 85% ($p=0.15$) when all patients were considered, improving to 94% ($p=0.06$) for the positive responder group. This new analysis was presented at the American Association for Cancer Research meeting in March 2004. While this analysis would not meet the rigorous criteria of a registration study, it suggests that these post-chemotherapy patients could be a suitable patient population for a pivotal study of TroVax.

In 2003 Oxford BioMedica commenced two Phase II trials in the UK with TroVax in Stage IV colorectal cancer patients who were receiving the current standard of care chemotherapy. The objective of these trials is to investigate whether chemotherapy affects the ability of patients to mount immune responses when given TroVax.

The protocol of the first Phase II trial is a regime of six immunisations of TroVax alongside chemotherapy cycles of irinotecan, 5-fluorouracil (5FU) and leucovorin (a combination referred to as IFL). The second Phase II trial protocol is TroVax alongside oxaliplatin, 5FU and leucovorin (referred to as FOLFOX). Full recruitment is imminent across both trials with 36 of 37 projected patients enrolled.

The objective is to have ten evaluable patients in each setting. The primary endpoints are safety and demonstrable anti-5T4 immune responses.

Preliminary data from these Phase II trials indicate that the primary endpoints have been achieved, that the combination is safe and that, despite receiving chemotherapy, patients mount specific immune responses to the 5T4 antigen.

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despite receiving chemotherapy, patients mount specific immune responses to the 5T4 antigen. A total of 19 patients have been enrolled in the TroVax plus IFL trial. Ten patients have reached an interim analysis point (defined as four TroVax immunisations and more than eight cycles of chemotherapy). Nine out of the ten patients have mounted specific anti-tumour immunological responses to the 5T4 antigen. The TroVax plus FOLFOX trial is fully recruited with 17 patients enrolled. Three patients have reached the interim analysis point of four immunisations and two of these have shown anti-5T4 immune responses to date.

The Company expects to report full safety and immunological data in mid-2005 when all patients will have received 12 cycles of chemotherapy and six treatments of TroVax. At this time, tumour response rates will also be determined.

In January 2004, the Company reported that Cancer Research UK had received approval to start a Phase II trial with TroVax in colorectal cancer patients who are to undergo surgery for resectable liver metastases. The trial is designed to enrol 20 patients and recruitment is ongoing. In April 2004, the FDA approved the Company's IND application to evaluate TroVax in patients with metastatic renal cell cancer in combination with the current standard treatment, interleukin-2.

The Company reported positive results from a second Phase I/II MetXia trial that confirmed the safety, localised tumour responses and systemic anti-tumour responses that were reported in the previous trial.

Following recent approval of the trial protocol at Columbia Presbyterian Medical Center in New York, USA, projected recruitment of 30 patients is expected to commence shortly. Preliminary results on safety and immunogenicity are expected in mid-2005.

The Company announced in March 2004 that a fifth Phase II trial with TroVax in patients with Stage III/IV breast cancer is planned. The Southwest Oncology Group (SWOG), a clinical research consortium sponsored by the

US National Cancer Institute, will conduct the trial. This will be the largest of the Phase II trials with TroVax, recruiting about 120 patients. It is expected to start before the end of the year.

Preparations for pivotal trials are continuing. The scale-up to commercial manufacturing of TroVax, and bridging toxicology studies with the commercial-grade material were completed earlier this year. A small clinical safety study with this material is planned to start shortly in readiness for Phase III trials. Following the encouraging Phase I/II and Phase II clinical results in colorectal cancer, the Company has put together detailed plans for an international Phase III trial in patients with Stage IV disease. These plans are being discussed with potential partners.

MetXia®

MetXia is Oxford BioMedica's gene-based cancer therapeutic comprising a highly engineered retrovirus that delivers a specific human cytochrome P450 gene to tumour cells. The P450 enzyme activates the widely used cancer chemotherapy drug, cyclophosphamide (CPA), to a form that is capable of destroying tumour cells.

The second Phase I/II trial with MetXia in patients with breast cancer (and other accessible tumour types) was completed in 2003. In December 2003,



the Company reported positive results that confirmed the safety, localised tumour responses and systemic anti-tumour responses that were observed in the previous MetXia trial. The full trial data are being documented for publication in a peer reviewed journal and presentation at conferences.

In April 2004, the Company reported that recruitment had started, slightly ahead of schedule, in a UK Phase I trial, rolling into a Phase II trial, of MetXia in patients with pancreatic cancer. Unlike the earlier Phase I/II trials in breast cancer, which used standard oral administration of CPA (causing activation of CPA in the liver, with the toxicity normally associated with CPA), the pancreatic cancer trial is designed for direct administration of both MetXia and CPA to the tumour via arterial infusion. The Phase I safety stage of the trial is on-track to complete by the end of the year, and this will be followed by the Phase II efficacy stage. Endpoints include clinical responses and time to disease progression. Patient recruitment is expected to exceed 25 patients.

On the basis of successful results in the Phase II stage of the trial, the Company could advance to pivotal trials with MetXia in pancreatic cancer in 2006.

The results showed almost complete recovery to normal movement and behaviour following treatment with ProSavin.

Neurotherapy

The neurotherapy portfolio comprises five products in late preclinical development, all based on the Company's LentiVector technology. Preparations for clinical trials with the lead product, ProSavin for Parkinson's disease, are at an advanced stage. In the first half of 2004, the Company published preclinical efficacy data for ProSavin, MoNuDin[®] for motor neuron disease and Innurex[®] for nerve injury. New data, planned for publication, with the vision loss product, RetinoStat[®], show initial efficacy in *in vivo* preclinical models.

ProSavin[®]

ProSavin is the Company's lead neurobiology product, and is designed for the treatment of Parkinson's disease. It delivers genes required for dopamine synthesis to neurons in the brain using the LentiVector gene delivery system. Earlier this year, the Company reported that clinical trials would commence in 2005, a delay of a few months owing to extended product optimisation that has enabled higher levels of dopamine to be produced per unit of drug.

The most recent preclinical efficacy data with ProSavin in an industry standard *in vivo* model of Parkinson's disease were presented at the American Society for Gene Therapy meeting in June 2004. The results showed almost complete recovery to normal movement and behaviour following treatment with ProSavin.

The Company anticipates the start of clinical trials in 2005. The Phase I trial, to be conducted at the John Radcliffe Hospital in Oxford, is expected to enrol 12 patients with late stage Parkinson's disease. The Company is completing preclinical long-term toxicity and efficacy studies, and has had initial discussions with the regulatory authorities prior to its submission for the start of clinical trials.



Oxford BioMedica's scientists showed that Innurex restores function to damaged limbs in a preclinical model of avulsion (stretch) injury.

RetinoStat®

RetinoStat is Oxford BioMedica's novel product for treatment of wet age-related macular degeneration (AMD) and related diseases that lead to vision loss. Two versions of RetinoStat are being evaluated, which comprise either two novel angiogenesis inhibitor genes, endostatin and angiostatin, or endostatin alone, delivered to the eye via the LentiVector system.

This year, extensive preclinical studies are being conducted at the Institute of Ophthalmology in London and at the Johns Hopkins Hospital in Baltimore USA, with financial support from the US charity Foundation Fighting Blindness. Recent data from *in vivo* models of wet AMD and macular oedema show reduction in aberrant angiogenesis (blood vessel growth) and permeability (blood vessel leakage) with the version of RetinoStat that delivers endostatin alone. Studies are ongoing with the version containing both genes. These results together with data from the other studies currently in progress will be published and presented at relevant conferences and will form the basis of the clinical development programme.

MoNuDin®

MoNuDin is the Company's novel treatment for degeneration of motor neurons that occurs in diseases such as amyotrophic lateral sclerosis (ALS). This LentiVector-based product delivers the neuroprotective gene for vascular endothelial growth factor to motor neurons via intramuscular injection.

In May 2004, preclinical *in vivo* efficacy data in an industry standard model of ALS were published in Nature. These showed that both

the onset and progression of disease were slowed and life expectancy was extended by 30% with MoNuDin treatment. The results suggest that MoNuDin is one of the most effective potential therapies in the field to date. The Company is planning a clinical development strategy for the product.

Innurex®

Innurex is Oxford BioMedica's novel treatment for nerve regeneration in applications including spinal cord injuries. Again based on the LentiVector technology, the product carries the gene RARβ2 (a subtype of the retinoic acid receptor) that induces nerve cells to regrow by a process known as 'sprouting'.

Following a scientific presentation in December 2003 of preclinical data showing that Innurex stimulates nerve sprouting, further data were presented in June 2004 showing restoration of limb function. In a presentation at the American Society for Gene Therapy meeting, Oxford BioMedica scientists showed that Innurex restores function to damaged limbs in a preclinical model of avulsion (stretch) injury. These results indicate that Innurex may benefit patients with nerve damage resulting from severe pull or stretch injury, a common consequence of



sporting and motor accidents. Further preclinical studies and clinical planning are underway.

The Company's collaborator on Innurex, Kings College London, was awarded a grant of \$150,000 for the programme in April 2004 from the Christopher Reeve Paralysis Foundation. This grant supports studies on the use of Innurex in spinal cord injury.

LentiVector® Technology

Oxford BioMedica's LentiVector technology is one of the most potent gene delivery systems currently available, particularly for the treatment of chronic neurodegenerative disorders. It is also an effective tool for genomics-based target validation, screening, production systems, and the creation of transgenic animals.

In February 2004, the Company signed an agreement with Merck & Co, granting non-exclusive worldwide rights to the LentiVector technology for research activities. Oxford BioMedica received an upfront license payment and is entitled to an annual maintenance fee. In June 2004, another LentiVector license agreement was signed with Viragen for use of the technology in the development of avian transgenics for efficient and economical

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manufacturing of therapeutic proteins in chicken eggs. The Viragen agreement includes upfront and annual license payments in addition to milestone payments on the achievement of technical goals, and royalties on commercialisation.

This year, the Company has broadened the therapeutic applications of the LentiVector technology beyond its neurotherapy focus.

In March 2004, the UK Department of Health awarded the Company a grant of £0.5 million to develop novel treatments for single gene disorders with a focus on the blood clotting disorder, haemophilia A, which is caused by a defective Factor VIII gene. Oxford BioMedica has developed a product, named Requinat®[®], that carries a corrected version of the Factor VIII gene in a LentiVector system. Since haemophilia falls outside of the Company's therapeutic focus of cancer and neurotherapy, the programme has received minimal internal resources up to now. The new money from the Department of Health will enable the Company to progress the programme without compromising progress of the cancer and neurotherapy products. Preclinical studies with the product have started, and initial data are encouraging.

In August 2004, Oxford BioMedica scientists presented preclinical data at the American Society for Neurochemistry conference showing that a LentiVector-based product delivering short interfering RNA (siRNA) can dramatically slow down the development of symptoms and increase life expectancy in a preclinical model of an inherited neurodegenerative disease.



The delivery of siRNA with the LentiVector technology is potentially applicable in any disease where it is important to suppress gene activity, including, for example, cancer and AIDS.

Patents

Strengthening the intellectual property protection for the development of products and technologies remains a core activity for the Company. One new filing was made in the first half of the year and eight patents were granted. The Company has the broadest global patent estate for lentiviral vectors, which supports the LentiVector-based pipeline and has created licensing opportunities, such as the agreements with Merck & Co and Viragen. In June 2004, Oxford BioMedica acquired a number of patent families from Chiron Corporation's gene therapy patent portfolio that complement the Company's existing intellectual property. Separately, Chiron made an equity investment in Oxford BioMedica and holds about 0.1% of the Company's shares.

Finance

The financial position remains strong and the Company has continued to invest in its expanded clinical development programme, while maintaining tight control over spending.

The restructuring of the US operation is complete, and provision has been made in the June 2004 accounts for the estimated total costs of this reorganisation. The net loss of £6.8 million for the first half of 2004 (H1 2003: £5.6 million) includes exceptional costs of £1.6 million in respect of the reorganisation. As a result of making provisions for the estimated total costs of restructuring in the first half of 2004, the Company expects that net operating expenses for the second half will be approximately £1.5 million lower than the first half.

Revenue of £293,000 (H1 2003: £110,000) included the initial payment under the agreement with Viragen, and a proportion of the first-year licence fee from Merck & Co was recognised as revenue in the first half. Altogether £208,000 (71%) of the first half of 2004 turnover derived from the LentiVector technology.

Research and development costs and administration expenses were unchanged from the first half of 2003 at £5.4 million and £1.5 million respectively, despite an increase of over 60% in external clinical and preclinical costs, which amounted to £1.7 million in the first half of 2004 (H1 2003: £1.0 million). This continues a trend of curtailing in-house research costs in order to fund the clinical development programme.

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Including the £1.6 million restructuring costs, total operating expenses in the first half of 2004 were £8.4 million (H1 2003: £6.9 million).



The cash impact of the reorganisation in the first half of 2004 was relatively modest at £129,000 with the bulk of the exceptional cost made up of non-cash items comprising the write down of assets, losses on sale of fixed assets, a provision for the US office lease and accrued costs of £238,000 payable mostly in the second half.

Grant income of £229,000 was similar to the level in the second half of 2003, although a higher figure of £432,000 was recorded in the first half of 2003 as this period included arrears from 2002 on two grant programmes. Two new grants were awarded in the first half of 2004: Oxford BioMedica was awarded a grant of approximately £0.5 million by the UK Department of Health for the clinical development of Requinatate for the treatment of haemophilia A, and the Company is part of a European consortium which has received a grant under the European Community Framework 6 scheme.

Before the exceptional item, the loss before interest was £6.3 million (H1 2003: £6.4 million). Including exceptional costs, the operating loss was £7.9 million (H1 2003: £6.4 million).

Interest receivable was significantly higher at £616,000 (H1 2003: £322,000) as a result of higher cash balances following the rights issue in October 2003 and generally higher interest rates.

The tax credit was £536,000 (H1 2003: £532,000). Further weakening of the US dollar resulted in currency translation losses of £55,000 (H1 2003: £52,000) making total recognised losses of £6.8 million (H1 2003: £5.6 million).

Further Phase II trial results with both TroVax and MetXia are anticipated over the next 12 months.

Capital expenditure in the first half of 2004 was £229,000 (H1 2003: £35,000). However this was less than the depreciation charge, and, together with the sale and write down of assets in the US, the book value of fixed assets was significantly lower at £1.6 million (30 June 2003: £3.1 million).

Debtors of £3.7 million were £2.1 million higher than 2003. The increase was due principally to the timing of tax credit, bank interest and government grant receipts. The UK R&D tax credit debtor at 30 June 2004 of £1,785,000 covers the 18-month period from January 2003 to June 2004 (2003: £546,000 covering the six months January to June 2003). The tax credit is paid in arrears and, while the 2002 claim was settled during June 2003, the 2003 claim was still under review at 30 June 2004. At 30 June 2004 there was £567,000 (2003: £23,000) accrued bank interest on term deposits which mostly mature in the second half, and £367,000 (2003: £122,000) accrued grant income.

The adverse effect of higher debtors on the cash flow was partly offset by higher creditors. Accruals and deferred income were £1.7 million (2003: £1.1 million), with the main increases being external clinical and preclinical costs and accrued US reorganisation costs. Provisions for liabilities and charges of £569,000 (2003: £17,000) related to the US office lease, whereas the 2003 figure covered deferred tax.

The net cash outflow before management of liquid resources and financing (often referred to as the cash burn) was £5.7 million in the first half of 2004 (H1 2003: £3.8 million).



This includes £129,000 relating to the US reorganisation, and compares favourably to a cash burn of £5.8 million in the second half of 2003. The difference between the first halves of 2004 and 2003 is mainly due to the timing of the receipt of R&D tax credit. Capital expenditure and the timing of bank interest receipts were also favourable in the first half of 2003.

The issue of shares in the first half of 2004 brought proceeds of £170,000 from the exercise of share options. A further £56,000 proceeds from the issue of shares to Chiron in June 2004 was received in August.

Cash and short-term investments at 30 June 2004 were £26.2 million (2003: £17.2 million). The Company expects lower cash consumption in the second half of 2004 compared to the first half, with the full year cash burn expected to be under £11 million. Based on detailed financial models and spending plans, the current resources are sufficient to fund existing operations into 2007, without any new sources of revenue.

Outlook

In the 2003 Annual Report, the Company outlined its expectation for clinical and preclinical data and new collaborations in 2004 and 2005.

In oncology, four of the five planned Phase II trials with TroVax, and the clinical trial with MetXia in pancreatic cancer are underway, with initial data from two trials of TroVax showing highly encouraging findings. Further Phase II trial results with both TroVax and MetXia are anticipated over the next 12 months.

In neurotherapy, the Company plans to start clinical trials with ProSavin in 2005 and anticipates at least one IND (US) or CTA (UK) each year thereafter from the neurotherapy pipeline. Preclinical efficacy data has been published or presented at scientific meetings this year on three of the five pipeline products. The Company expects further publications in the next 12 months.

The LentiVector technology has broad utility in the treatment of neurodegenerative and ophthalmic diseases. The Company is investigating novel LentiVector-based products, which could expand the current neurotherapy portfolio and has also created product opportunities in other therapeutic areas.

Two licensing agreements were signed for the LentiVector technology in the first half and more are anticipated. Licensing discussions for the lead cancer and neurotherapy products as well as the Company's other technologies are also ongoing.

The remainder of this year and 2005 could see substantial value generation for the Company through progress in product development and corporate licensing.



Dr Peter Johnson
CHAIRMAN



Professor Alan Kingsman
CHIEF EXECUTIVE OFFICER



Consolidated profit and loss account

for the six months ended 30 June 2004

	Notes	Six months ended 30 June 2004 (unaudited) £'000	Six months ended 30 June 2003 (unaudited) £'000	Year ended 31 December 2003 (audited) £'000
Turnover	2	293	110	374
Research and development costs		(5,392)	(5,420)	(10,773)
Administrative expenses		(1,456)	(1,528)	(2,922)
Exceptional administrative expenses	3	(1,578)	-	-
Operating expenses		(8,426)	(6,948)	(13,695)
Other operating income: grants receivable		229	432	669
Net operating expenses		(8,197)	(6,516)	(13,026)
Loss before interest and exceptional item		(6,326)	(6,406)	(12,652)
Exceptional item	3	(1,578)	-	-
Operating loss		(7,904)	(6,406)	(12,652)
Interest receivable		616	322	711
Loss on ordinary activities before taxation		(7,288)	(6,084)	(11,941)
Tax credit on loss on ordinary activities		536	532	1,203
Loss for the period		(6,752)	(5,552)	(10,738)
Basic loss and diluted loss per ordinary share	4	(1.8p)	(2.2p)	(3.9p)

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

There is no difference between the loss on ordinary activities before taxation and the loss for the periods stated above, and their historical cost equivalents.

Statement of group total recognised gains and losses

	Six months ended 30 June 2004 (unaudited)	Six months ended 30 June 2003 (unaudited)	Year ended 31 December 2003 (audited)
Notes	£'000	£'000	£'000
Loss for the financial period	(6,752)	(5,552)	(10,738)
Currency translation differences on foreign currency net investments	9 (55)	(52)	(179)
Total recognised losses for the period	(6,807)	(5,604)	(10,917)

Consolidated balance sheet

at 30 June 2004

	Notes	30 June 2004 (unaudited) £'000	30 June 2003 (unaudited) £'000	31 December 2003 (audited) £'000
Fixed assets				
Intangible assets		111	160	135
Tangible assets	5	1,509	2,919	2,331
Investments		26	26	26
		1,646	3,105	2,492
Current assets				
Debtors	6	3,665	1,571	2,386
Investments		25,813	16,487	31,700
Cash at bank and in hand		432	748	136
		29,910	18,806	34,222
Creditors: amounts falling due within one year	7	(2,376)	(1,876)	(1,501)
Net current assets		27,534	16,930	32,721
Total assets less current liabilities		29,180	20,035	35,213
Provisions for liabilities and charges	8	(569)	(17)	-
Net assets		28,611	20,018	35,213
Capital and reserves				
Called-up share capital		3,716	2,397	3,703
Share premium account		78,237	58,843	78,045
Other reserve		711	711	711
Profit and loss account (deficit)		(54,053)	(41,933)	(47,246)
Equity shareholders' funds	9	28,611	20,018	35,213

Consolidated cash flow statement

for the six months ended 30 June 2004

	Six months ended 30 June 2004 (unaudited)	Six months ended 30 June 2003 (unaudited)	Year ended 31 December 2003 (audited)
Notes	£'000	£'000	£'000
Operating activities			
Net cash outflow from continuing operating activities	A	(5,790)	(5,485)
Returns on investments and servicing of finance			
Interest received	166	343	638
Taxation			
Tax credit received	-	1,260	1,259
Overseas tax received	-	-	8
	-	1,260	1,267
Capital expenditure			
(Purchase)/net refund of tangible fixed assets	(228)	57	(51)
Sale of tangible fixed assets	105	-	-
	(123)	57	(51)
Net cash outflow before management of liquid resources and financing	(5,747)	(3,825)	(9,634)
Management of liquid resources			
Transfer to deposit accounts	(3)	(5)	(12,368)
Transfer to current accounts	5,890	4,179	1,329
	5,887	4,174	(11,039)
Financing			
Issue of ordinary shares	170	90	22,215
Expenses of share issues	(10)	-	(1,695)
Net cash inflow from financing	160	90	20,520
Increase/(decrease) in cash in the period	B	300	439
		(153)	

Notes to the consolidated cash flow statement

for the six months ended 30 June 2004

	Six months ended 30 June 2004 (unaudited) £'000	Six months ended 30 June 2003 (unaudited) £'000	Year ended 31 December 2003 (audited) £'000
(A) Reconciliation of operating loss to net cash outflow from operating activities			
Continuing activities			
Operating loss	(7,904)	(6,406)	(12,652)
Amortisation of intangible fixed assets	24	25	50
Depreciation of tangible fixed assets	741	481	943
Loss on disposal of fixed assets	181	-	71
Non-cash consideration for acquired intellectual property rights	-	-	79
Increase in trade debtors	(195)	(33)	-
Increase in other debtors and other tax receivable	(95)	(137)	(232)
Decrease/(increase) in prepayments and accrued income	96	21	(18)
Increase/(decrease) in trade creditors	260	236	(74)
(Decrease)/increase in other taxation and social security	(99)	(72)	31
Increase in accruals and deferred income	651	425	360
Increase in provisions	569	-	-
Exchange rate differences	(19)	(25)	(46)
Net cash outflow from continuing operating activities	(5,790)	(5,485)	(11,488)

	Six months ended 30 June 2004 (unaudited) £'000	Six months ended 30 June 2003 (unaudited) £'000	Year ended 31 December 2003 (audited) £'000
(B) Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period	300	439	(153)
Cash (inflow)/outflow from change in liquid resources	(5,887)	(4,174)	11,039
Change in net funds resulting from cash flows	(5,587)	(3,735)	10,886
Exchange movements	(4)	6	(14)
Net funds at beginning of the period	31,836	20,964	20,964
Net funds at 30 June/31 December	26,245	17,235	31,836

	At 1 January 2004 £'000	Cash flow £'000	Exchange movements £'000	At 30 June 2004 £'000
(C) Analysis of net funds				
Cash	136	300	(4)	432
Liquid resources	31,700	(5,887)	-	25,813
Net funds	31,836	(5,587)	(4)	26,245

Liquid resources relate to bank deposits which are not immediately accessible within 24 hours without financial penalty.

Notes to accounts

1 Basis of preparation

The interim financial information has been prepared in accordance with the accounting policies set out in the Group's Report and Accounts for the year ended 31 December 2003.

These interim financial statements do not constitute statutory financial statements within the meaning of s240 of the Companies Act 1985. Results for the six month periods ended 30 June 2004 and 30 June 2003 have not been audited. The financial information for the year ended 31 December 2003 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified.

Copies of the interim results for the six months ended 30 June 2004 are being sent to all shareholders. Details can also be found on the Company's website at www.oxfordbiomedica.co.uk. Further copies of the interim results and copies of the full report and accounts for the year ended 31 December 2003 can be obtained by writing to the Company Secretary, Oxford BioMedica plc, Medawar Centre, Oxford Science Park, Oxford, OX4 4GA.

This announcement was approved by the Board of Oxford BioMedica plc on 31 August 2004.

2 Turnover and loss on ordinary activities before taxation

The Group's turnover and loss on ordinary activities before taxation are derived entirely from its principal activity.

	Six months ended 30 June 2004 (unaudited) £'000		Six months ended 30 June 2003 (unaudited) £'000		Year ended 31 December 2003 (audited) £'000	
Turnover	Turnover by destination	Turnover by origin	Turnover by destination	Turnover by origin	Turnover by destination	Turnover by origin
Geographical analysis	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	35	293	28	110	29	374
North America	258	-	82	-	345	-
	293	293	110	110	374	374

	Six months ended 30 June 2004 (unaudited) £'000	Six months ended 30 June 2003 (unaudited) £'000	Year ended 31 December 2003 (audited) £'000
Loss on ordinary activities before taxation			
Geographical analysis			
United Kingdom	5,045	4,077	8,693
North America	2,243	2,007	3,248
	7,288	6,084	11,941

	30 June 2004 (unaudited) £'000	30 June 2003 (unaudited) £'000	31 December 2003 (audited) £'000
Net assets/(liabilities)			
Geographical analysis			
United Kingdom	3,004	1,551	2,216
North America	(638)	1,232	1,161
Net operating assets	2,366	2,783	3,377
Net funds	26,245	17,235	31,836
	28,611	20,018	35,213

Notes to accounts continued

3 Exceptional item: reorganisation of US activities

In January 2004, following a review of operations and resources, the Group closed its US process development and manufacturing unit. A business development and intellectual property management capability has been retained, and the US subsidiary has sublet its leasehold facility and relocated to new premises. Provision has been made for the estimated total cost of this reorganisation in the accounts for the six months ended 30 June 2004.

Exceptional costs of £1,578,000 included in the accounts for the six month period ended 30 June 2004 comprise: £181,000 loss on disposal of fixed assets, £356,000 write down of tangible fixed assets included in depreciation of fixed assets, £569,000 onerous lease charge, £253,000 severance payments and £219,000 other reorganisation costs. The cash outflow attributable to the exceptional item in the six months ended 30 June 2004, net of the proceeds of sale of fixed assets, was £129,000.

4 Basic loss and diluted loss per ordinary share

The basic loss per share has been calculated by dividing the loss for the period by the weighted average number of shares of 371,046,099 in issue during the six months ended 30 June 2004 (six months ended 30 June 2003: 252,252,285; year ended 31 December 2003: 273,876,723). The number of shares in issue prior to the rights issue in October 2003 has been adjusted as required by FRS 14 (Earnings per Share).

The Company had no dilutive potential ordinary shares in either period which would serve to increase the loss per ordinary share. There is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.

5 Tangible fixed assets

	Short leasehold improvements	Office equipment, fixtures and fittings	Computer equipment	Laboratory equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2004	2,238	231	325	2,871	5,665
Additions	-	2	10	217	229
Disposals	-	(11)	(13)	(438)	(462)
Exchange differences	(6)	(1)	(1)	(23)	(31)
At 30 June 2004	2,232	221	321	2,627	5,401
Depreciation					
At 1 January 2004	1,195	154	254	1,731	3,334
Charge for the period	448	38	44	211	741
Disposals	-	(4)	(9)	(163)	(176)
Exchange differences	1	-	-	(8)	(7)
At 30 June 2004	1,644	188	289	1,771	3,892
Net book amount at 30 June 2004	588	33	32	856	1,509
Net book amount at 30 June 2003	1,235	94	120	1,470	2,919
Net book amount at 31 December 2003	1,043	77	71	1,140	2,331

Included in the depreciation charge for the period is a £356,000 write down of assets in connection with the reorganisation of US activities (see note 3).

Notes to accounts continued

6 Debtors

	30 June 2004 (unaudited) £'000	30 June 2003 (unaudited) £'000	31 December 2003 (audited) £'000
Amounts falling due after more than one year			
Other debtors – rent deposit	259	284	263
Amounts falling due within one year			
Trade debtors	195	33	-
Other debtors	992	148	374
Corporation tax receivable	1,785	546	1,200
Other tax receivable	89	151	107
Prepayments and accrued income	345	409	442
	3,406	1,287	2,123
Total debtors	3,665	1,571	2,386

7 Creditors: amounts falling due within one year

	30 June 2004 (unaudited) £'000	30 June 2003 (unaudited) £'000	31 December 2003 (audited) £'000
Trade creditors	570	653	310
Overseas taxation	49	-	-
Other taxation and social security	96	92	195
Accruals and deferred income	1,661	1,131	996
	2,376	1,876	1,501

8 Provisions for liabilities and charges

	30 June 2004 (unaudited) £'000	30 June 2003 (unaudited) £'000	31 December 2003 (audited) £'000
Deferred tax	-	17	-
Onerous lease	569	-	-
	569	17	-

The onerous lease provision relates to the estimated rental shortfall in respect of the property in San Diego, USA, discounted at 4.17% per annum, and will be utilised over the term of the lease which is due to expire in 2012.

9 Reconciliation of movements in Group shareholders' funds

	Six months ended 30 June 2004 (unaudited) £'000	Six months ended 30 June 2003 (unaudited) £'000	Year ended 31 December 2003 (audited) £'000
Loss for the period	(6,752)	(5,552)	(10,738)
New share capital issued	226	90	22,294
Expenses of share issue	(21)	-	(1,696)
Exchange differences	(55)	(52)	(179)
Net movement in shareholders' funds	(6,602)	(5,514)	9,681
Opening shareholders' funds	35,213	25,532	25,532
Closing shareholders' funds	28,611	20,018	35,213



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