



OXFORD BIOMEDICA  
INTERIM REPORT 2005





# CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

## INTRODUCTION

**The first half of 2005 has been an exciting period for Oxford BioMedica, dominated by encouraging Phase II results with TroVax® in colorectal cancer. Other major milestones include successful completion of the first stage of the Phase II trial with MetXia® in pancreatic cancer, reported in August, and preclinical efficacy data with RetinoStat® in age-related macular degeneration and with Innurex® in spinal cord injury. ProSavin® for Parkinson's disease is progressing towards clinical trials, as are the two partnered cancer products with Wyeth and Intervet.**

Commercial discussions are ongoing for a number of Oxford BioMedica's lead product candidates. Technology licensing has also flourished following the partnering initiative implemented last year. In the first half of 2005, the company secured two new licensees, including Pfizer, for its LentiVector® technology. Another licensee, Viragen, achieved a key development milestone using the LentiVector system for avian transgenic biomanufacturing.

## ONCOLOGY

Oxford BioMedica's oncology pipeline comprises three major product candidates as well as a product for treating cancer in companion animals. Clinical results reported since the beginning of the year with the company's lead oncology products, TroVax and

MetXia, have met or exceeded expectations.

Data from three Phase II trials with TroVax in colorectal cancer have confirmed the product's excellent safety profile and ability to stimulate an anti-cancer immunological response. In the Phase II trials with concomitant chemotherapy, the majority of patients showed tumour responses in parallel with the anti-cancer immunological effect of TroVax. These interim data were presented at the American Society of Clinical Oncology in May 2005. The company expects to report further results from these two trials at an oncology conference later in 2005.

The first stage of the Phase II trial with MetXia in pancreatic cancer was successfully concluded, demonstrating product safety, gene transfer at the tumour site and identification of the optimal dose. The second part of the trial is underway and initial efficacy results are expected in early 2006.

The cancer products in development through collaborations with Wyeth and Intervet continue to progress. The 5T4 targeted antibody therapy for solid tumours with Wyeth, and TroVax-Vet® for canine and feline tumours with Intervet, are both anticipated to enter clinical trials in the next 12 months.

### TROVAX®

TroVax is Oxford BioMedica's advanced cancer immunotherapy product. It is designed to

stimulate an anti-cancer immune response and has potential application in most solid tumour types. TroVax targets the tumour antigen 5T4, which is broadly distributed throughout a wide range of solid tumours. The product consists of a pox virus (MVA) gene transfer system, which delivers the gene for 5T4. MVA is known to induce the breaking of immune tolerance to self-antigens that are expressed from this gene delivery system.

All patients have reached the evaluation stage in the two Phase II trials with TroVax in combination with chemotherapy in colorectal cancer. A further Phase II trial in colorectal cancer in patients with operable liver metastases is ongoing, under the sponsorship of Cancer Research UK. The first trial of TroVax in renal cell carcinoma, which is being conducted in the United States, continues to recruit patients and further trials in this disease setting are planned.

The US National Cancer Institute (NCI) and the clinical trials consortium, Southwest Oncology Group (SWOG), are finalising the design of a Phase II trial with TroVax in breast cancer. These organisations provide valuable funding and endorsement of TroVax and plan to conduct a trial that is expected to enrol 120 patients with late stage breast cancer. The NCI and SWOG are responsible for all aspects of the trial including the date of commencement.

The current expectation is for the trial to start in 2006.

The most significant event of the first half of 2005 was the release of interim results from the two Phase II trials of TroVax in first line treatment of metastatic colorectal cancer alongside irinotecan-based (IFL) and oxaliplatin-based (FOLFOX) chemotherapy. The data were presented at the 2005 American Society of Clinical Oncology (ASCO) Annual Meeting, in Orlando, Florida, USA, in May.

The presentation included the headline data, reported in March 2005, and further analysis of patients' immune responses and clinical benefit. There were 36 patients recruited across both trials. The interim results comprised data on patients that had reached the evaluation stage, which amounted to 25 patients for immunological analysis and 19 patients for assessment of clinical benefit.

As reported in March, the primary endpoints in the two trials of safety and immunological responses were achieved. All 25 patients showed an immune response to the 5T4 tumour antigen. In addition, the secondary endpoint of clinical benefit exceeded expectation. Eighteen of 19 evaluable patients responded to treatment, showing either complete or partial tumour shrinkage, or disease stabilisation following treatment. Although the trial was small, in terms of patient numbers, and was not designed with a control arm, this level of clinical benefit was encouraging when compared to published trial data for chemotherapy alone in similar settings.

The presentation at ASCO showed that the maximum antibody levels (titres) targeted against the 5T4 tumour antigen in the Phase II trials were significantly higher than in the earlier Phase I/II trial in post chemotherapy patients. This may be important because, in that earlier study, there was a highly significant ( $p < 0.0001$ ) correlation between antibody titre and time to disease progression amongst responders. In addition, analysis of the anti-5T4 cytotoxic T-cell (CD8) response following immunisation with TroVax, showed levels in some patients as high as 1 in 1,000 white blood cells. This level is comparable with those seen in response to viral infections. Interestingly, in the TroVax plus FOLFOX trial, the two patients that showed complete tumour responses (tumour clearance) had the highest antibody and killer T-cell levels. This associates, as in the Phase I/II trial, the anticancer immunological effect of TroVax immunisation with clinical benefit.

The trials are on track to report full safety and immunological data as well as final audited tumour response statistics before the end of 2005. The company expects to present further data from the trials at the International Colorectal Cancer Congress in Aventura, Florida, USA, from 14 to 16 October 2005. Patient survival data will be reported in 2006.

Initial data from the first Phase II trial of TroVax in renal cell carcinoma are expected later in 2005. Oxford BioMedica believes that renal cell carcinoma may represent a commercially compelling opportunity for the development of TroVax.

The development plan for TroVax is emerging as the company accumulates data from the current

Phase II trials. The objective will be to achieve product registration for TroVax in the United States by 2009. In preparation for product registration, the manufacturing process has been scaled for commercial production of TroVax.

The company expects to provide a comprehensive update later in the year on the development status of TroVax, including data in renal cell carcinoma, further data from the colorectal cancer trials and strategies for taking TroVax through to product registration.

#### 5T4 ANTIBODY-TARGETED THERAPY

Wyeth is developing a targeted therapy for the treatment of cancer using a humanised version of Oxford BioMedica's anti-5T4 antibody conjugated to a cytotoxic molecule, calicheamicin. The product is a 'magic bullet' approach, which is designed to deliver the conjugate directly and specifically to tumour cells, sparing healthy cells. The collaboration with Wyeth is potentially worth \$24 million in upfront and milestone payments plus royalties. In the first half of 2005, preparations for clinical trials have continued, which are anticipated to start in the next 12 months.

#### TROVAX-VET®

TroVax-Vet is a veterinary version of TroVax that uses a canine or feline form of the 5T4 gene for treatment of cancer in dogs and cats. Oxford BioMedica is developing TroVax-Vet in collaboration with Intervet, which is a unit of Akzo Nobel of Arnhem, the Netherlands. Under the collaboration, Intervet funds the programme and Oxford BioMedica will receive development milestones and royalties on sales.

Intervet and Oxford BioMedica completed a relevant preclinical efficacy study with canine TroVax-Vet in the first half of 2005. Data from the recent study demonstrate that the product stimulates a strong immune response against the canine version of 5T4. Further product optimisation is planned prior to the anticipated start of clinical trials in dogs with naturally occurring cancer in the next 12 months.

#### METXIA®

MetXia is Oxford BioMedica's lead gene-based cancer therapeutic. The product comprises a highly engineered retrovirus that delivers a specific human cytochrome P450 gene to tumour cells. The enzyme encoded by the P450 gene activates the commonly used cancer chemotherapy drug, cyclophosphamide (CPA), to a form that destroys dividing cells. MetXia converts the tumour into a 'drug factory', enabling local production of the anti-tumour, cytotoxic derivative of CPA.

The initial indication for the development of MetXia is the treatment of pancreatic cancer through direct administration of both MetXia and CPA to the tumour. A two-stage Phase II trial was initiated in 2004. In August 2005, the company announced that the first stage was successfully completed. The objectives were to assess the safety of administering MetXia locally to the pancreatic tumour, to confirm gene transfer at the tumour site following local delivery and to identify an optimal dose for the second stage of the trial.

In the first stage of the trial, two dose levels of MetXia were assessed in six patients in

combination with a low dose of CPA. Each patient had two administrations of MetXia, prior and subsequent to surgery, followed by CPA. Both dose levels of MetXia were safe and well tolerated. Importantly, dose dependent expression of the specific human cytochrome P450 gene, delivered by MetXia, was observed in tumour biopsies taken at surgery.

Patient recruitment is underway for the second stage with a fixed dose of MetXia and increasing doses of CPA, in up to 25 patients, which will determine the optimal dose of CPA. This second stage of the trial is designed to evaluate clinical benefit as well as safety. An additional clinical trial site in London is expected to open, which will boost patient accrual. Preliminary efficacy data are expected in early 2006.

The company plans to open discussions with the regulatory authorities to determine the most expeditious route to obtain approval of MetXia. A pivotal trial in pancreatic cancer could start in 2007, subject to successful completion of the current Phase II trial.

#### NEUROTHERAPY

Oxford BioMedica's neurotherapy pipeline comprises five therapeutic candidates that utilise the company's LentiVector gene delivery technology. All five programmes continue to meet expectations in their ongoing preclinical development. The company is preparing regulatory submissions for the start of clinical trials with the most advanced product, ProSavin for Parkinson's disease. Given the

commonality of the LentiVector system to all the neurotherapy products, the infrastructure for ProSavin that relates to manufacturing scale-up and safety testing can be applied to the entire portfolio. Hence, the time invested in the preclinical development of ProSavin should accelerate the programmes for the other development candidates. The company anticipates entering clinical development with at least one neurotherapy product each year from 2006, starting with ProSavin.

In the first half of 2005, the company reported encouraging preclinical efficacy data for two neurotherapy pipeline products: RetinoStat for the treatment of age-related macular degeneration and Innurex for spinal cord injury. In addition, data from a proof of principle preclinical study for delivery of short interfering RNA using the LentiVector technology was published in *Nature Medicine* (see section on Research and Other Programmes).

The neurotherapy portfolio has attracted support from a number of charitable organisations, primarily because the products offer the potential of safe and effective treatment options for diseases with unmet medical need. In July 2005, Oxford BioMedica was awarded a new grant from the UK Motor Neuron Disease Association for its product candidate MoNuDin® for the treatment of amyotrophic lateral sclerosis.

#### PROSAVIN®

The company's lead neurotherapy product, ProSavin, is an innovative approach to the treatment of Parkinson's disease. ProSavin uses

a LentiVector system to deliver the genes required for dopamine synthesis to neurons in the striatum of the brain. This compensates for the loss of dopamine associated with the disease.

The timetable for clinical development of ProSavin was extended last year mainly due to challenges in the process development for clinical manufacturing. These challenges have largely been overcome. Currently, additional non-clinical safety and efficacy studies are being conducted and the manufacturing process for the clinical material is being finalised.

Preliminary discussions with the regulatory authorities have been encouraging and the company aims to make a formal submission to the UK Gene Therapy Advisory Committee for clinical trials before the end of 2005. The planned Phase I/II trial is to be conducted at the Radcliffe Infirmary in Oxford, UK, in patients with late stage Parkinson's disease, and is expected to commence in 2006.

#### RETINOSTAT®

RetinoStat is Oxford BioMedica's novel gene-based treatment for wet age-related macular degeneration (AMD) and diabetic retinopathy. The product uses a LentiVector system to deliver genes to the retina that block the formation of new blood vessels that cause retinopathy. The company is evaluating two versions of RetinoStat with the anti-angiogenesis genes endostatin and angiostatin, licensed from EntreMed of Rockville, Maryland, USA.

In the first half of the year, the company and its collaborators from the Institute

of Ophthalmology in London presented encouraging preclinical data from the RetinoStat programme at the Annual Meeting of the Association for Research in Vision and Ophthalmology (ARVO) in Fort Lauderdale, Florida, USA. In an industry standard model of AMD, both versions of RetinoStat were shown to be safe and well tolerated, both reduced the area of the eye with abnormal blood vessel growth and both reduced blood vessel leakage in the eye, which leads to the distortion and loss of central vision in AMD. The two product configurations demonstrated a statistically significant improvement in all efficacy scores.

In the second half of 2005, Oxford BioMedica expects to complete additional preclinical efficacy studies, which are being conducted at the Johns Hopkins Hospital in Baltimore, Maryland, USA, with financial support from the US charity, Foundation Fighting Blindness. These studies are designed to facilitate final optimisation of RetinoStat for clinical trials and the results will be presented at suitable ophthalmology conferences. The company's objective is to initiate clinical trials with RetinoStat in wet AMD in 2007.

#### MONUDIN®

MoNuDin is based on a novel modified LentiVector system, delivering a vascular endothelial growth factor (VEGF) gene, which is a neuroprotective for motor neurons. The product is being developed initially for the treatment of amyotrophic lateral sclerosis (ALS), the most common form of motor neuron disease. ALS is an indication where there is an

unmet medical need for novel treatments. Given the size of the patient population, MoNuDin is likely to qualify for Orphan Drug designation from regulatory authorities.

MoNuDin has previously attracted funding from the US ALS Association. In July 2005, a new grant was received from the UK Motor Neuron Disease (MND) Association. The initial grant is for £350,000, to fund a key preclinical efficacy study and support preparations for clinical trials. The company is targeting the start of clinical development with MoNuDin in 2007. The MND Association and other US and UK charitable organisations are considering further sponsorship that could fund initial clinical trials of MoNuDin in ALS patients.

#### SMN-1G

SMN-1G is Oxford BioMedica's gene-based therapeutic for the treatment of an inherited motor neuron disease, spinal muscular atrophy (SMA). The product is designed to restore SMN protein levels by delivering the corrected version of the SMN1 gene, using a modified LentiVector system to reach motor neurons. As with ALS, there is a need for effective treatments for SMA, and Oxford BioMedica expects to have the advantages of Orphan Drug designation for its SMN-1G programme.

Preclinical efficacy data with SMN-1G were published in the *Journal of Clinical Investigation* in December 2004. These studies were supported by FightSMA, a US charitable organisation, in collaboration with Dr. Arthur Burghes of The Ohio State University, a leading authority on SMA. In the first half of 2005, the

company started further preclinical studies to optimise the SMN-1G construct and is planning the clinical development strategy.

#### INNUREX®

Innurex is Oxford BioMedica's gene-based product for nerve regeneration for the treatment of spinal cord and related injuries. Based on the LentiVector technology, the product carries the gene for a subtype of the retinoic acid receptor (RAR $\beta$ 2) that induces nerve cells to re-grow by a process known as 'sprouting'.

In June 2005, the company presented encouraging preclinical efficacy data at the Annual Meeting of the American Society of Gene Therapy (ASGT) in St. Louis, Missouri, USA. The data showed, for the first time, that Innurex is able to induce nerve repair in spinal cord (corticospinal tract) injuries and restore both sensory and motor functions in a placebo controlled preclinical model. Very few products have been able to show nerve repair in models of spinal cord injury and no products to date have achieved this in the clinical setting.

In this preclinical study of spinal cord injury, there was a statistically significant improvement in functional ability with Innurex compared to placebo for most measurements. These data add to previous observations in preclinical models of avulsion (stretch) injury and suggest that Innurex may be useful in the clinical treatment of both stretch injury and the technically more challenging spinal cord damage.

Innurex is being developed in collaboration with King's College London, who received a grant for

the programme in 2004 from the Christopher Reeve Paralysis Foundation. Further preclinical studies and clinical planning are underway.

## RESEARCH AND OTHER PROGRAMMES

The company has continued to focus research efforts towards its key therapeutic areas: oncology and neurotherapy. In oncology, the company has a tumour antigen discovery programme in collaboration with ARIUS Research of Toronto, Canada. At the end of 2004, the joint programme progressed from the successful identification of novel cancer targets to focus on a target that is over-expressed in gastrointestinal and other cancers and could be related to cancer metastasis. In the first half of 2005, validation of this novel target continued. Under the agreement, cancer targets and antibodies can be out-licensed to commercial partners or developed by one or both of the companies.

Outside of the core therapeutic focus, the company is evaluating a limited number of product opportunities and novel technology applications. These programmes are primarily funded through collaborations or grants. One potentially interesting preclinical product candidate is Requisite® for haemophilia A. This LentiVector-based programme is supported by a grant from the UK Department of Health. The company is planning a preclinical efficacy study with Requisite in the next 12 months.

Oxford BioMedica is also evaluating the LentiVector technology as a delivery mechanism

for gene silencing molecules in RNA interference (RNAi). RNAi is a new technology that allows genes of choice to be switched off. The company's LentiVector technology is perfectly suited to deliver these molecules. In March 2005, the journal *Nature Medicine* published a paper on the company's RNAi work, describing the results from a preclinical study. The LentiVector gene delivery system was used to deliver a specific RNA molecule that effectively shut down the gene that causes disease in a model of the neurodegenerative disease familial ALS. During the first half of 2005, Oxford BioMedica opened collaboration and licensing discussions with interested parties for access to the LentiVector technology for RNAi applications.

## TECHNOLOGY LICENSING

Oxford BioMedica established an active licensing programme for its suite of gene delivery technologies in early 2004. This initiative secured four licensees during 2004, including Merck & Co of Whitehouse Station, New Jersey, USA, and Biogen Idec of Cambridge, Massachusetts, USA.

In the first half of 2005, new licensing agreements were signed with Pfizer of New York, New York, USA, and another leading biopharmaceutical company, thus expanding this sustainable revenue stream. The two new licences provide non-exclusive worldwide rights to the LentiVector technology for research activities. Under these agreements, Oxford BioMedica receives upfront licence payments and annual maintenance fees. In June 2005, another licensee, Viragen of Plantation, Florida, USA, reached a milestone in its collaborative

project with Roslin Institute of Edinburgh, Scotland, to develop avian transgenic biomanufacturing using the LentiVector technology. For the first time, Viragen and Roslin produced a potentially therapeutic protein selectively in the whites of eggs laid by a transgenic hen. This technology is expected to offer a low cost manufacturing alternative for the production of many protein drugs, with additional potential advantages in the quality of the products. The Viragen agreement provides Oxford BioMedica with upfront and annual licence payments in addition to milestone payments on the achievement of technical goals and royalties on commercialisation.

## INTELLECTUAL PROPERTY

Oxford BioMedica continues to strengthen its intellectual property estate, which comprises approximately 80 patent families, covering its product candidates and suite of technologies. In the first half of 2005, two new patents were filed and six patents were granted.

The new patents include a key European patent for TroVax. Granted by the European Patent Office, this patent covers immunotherapy products directed against 5T4 and includes specific claims to the use of viral delivery systems in 5T4-targeted vaccines. This is one of several granted and pending patents that protect the company's ownership of the 5T4 tumour antigen.

The patent portfolio that covers the LentiVector technology, which supports the neurotherapy pipeline and the technology licensing activities, was similarly strengthened during the period.

The company received a Notice of Allowance from the US Patent Office for a patent containing broad claims covering genetic modifications that are critical for safe and efficacious application of lentiviral vectors.

In July 2005, the company announced that the Patent Office of the Peoples' Republic of China granted two patents that have broad claims covering lentiviral vectors. Since July, the company has been notified that a further patent was granted in China. These are the first patents covering the LentiVector technology in China, the only country in the world with an approved gene therapy product and a country where opportunities for innovative pharmaceutical development are predicted to grow substantially over the next decade. Having these patents in place will help the company to commercialise its products in China.

## BOARD AND MANAGEMENT CHANGES

In the first half of the year and post period, there were a number of senior management promotions and appointments. These changes have strengthened the team and added new expertise. Nick Woolf was promoted to the Board as an executive director, maintaining his title of senior vice president of corporate strategy. Dr Stuart Naylor was promoted to senior vice president of research and development, having previously been vice president of biological systems. In this role, Stuart has taken certain responsibilities from Professor Susan Kingsman who has been appointed Chief Scientific Officer.

On 7 September, Dr Mike McDonald joined the company as Chief Medical Officer. Mike has

primary responsibility for the company's clinical development activities and regulatory affairs. He brings over 20 years of experience in clinical drug development and regulatory leadership within the biotechnology and pharmaceutical industry. He joined from Seattle Genetics, and was previously worldwide vice president for clinical research at Eli Lilly and vice president of global regulatory affairs at SmithKline Beecham.

## FINANCE

The company's financial position remains good, with significantly lower losses and a lower cash outflow than the first half of 2004, and cash and short term investments at 30 June 2005 of £18.6 million.

The company's previous published accounts were produced under UK generally accepted accounting standards (UK GAAP). The accounts for 2005 are the first to be produced under International Financial Reporting Standards (IFRS); a mandatory change for all UK listed companies. The move to IFRS has resulted in reclassifying expenditure on acquired intellectual property rights as intangible fixed assets, increasing net assets by £1.6 million at 30 June 2005 (£1.5 million at 30 June 2004 and 31 December 2004). The impact on the reported losses for the periods reported here is less significant, increasing the net loss for the six months ended 30 June 2005 by £74,000 and reducing the net losses for the year ended 31 December 2004 and the six months ended 30 June 2004 by £146,000 in both cases. The IFRS adjustments are described in note 12 to the financial statements.

The net loss for the first half of 2005 was £5.0 million (H1 2004: £6.6 million). The 2004 accounts included an exceptional administration charge of £1.6 million related to the restructuring of the US office.

Revenue for the first half of 2005 of £232,000 (H1 2004: £293,000) arose from licensing of the LentiVector and other proprietary technologies. The licensing agreements that were signed in 2004 generate revenue from annual maintenance fees. Revenue in the first half of 2004 was slightly higher due to the recognition of initial fees on licences, and because of some non-recurring items.

Research and development costs were less than the comparative period last year at £4.8 million (H1 2004: £5.2 million) principally due to a higher level of expenditure on production and manufacturing in the first half of 2004. Administration expenses, excluding the exceptional costs in 2004, were unchanged at £1.5 million (H1 2004: £1.5 million). Grant income in the first half of 2005 was reduced, as three grant programmes have ended. However, new grants from the UK Department of Health and the MND Association should contribute in the second half of 2005, allowing increased spending on the Requisite and MoNuDin programmes.

Interest receivable on bank deposits was £0.5 million (H1 2004: £0.6 million). This modest reduction reflected the lower average balance on deposit. The loss before tax for the first half of 2005 narrowed to £5.6 million (H1 2004: £7.1 million) mainly due to lower operating costs in

the period and the exceptional item in the previous year. The tax credit, arising in the UK from R&D credits, was £0.6 million (H1 2004: £0.5 million).

The format of the balance sheet and cash flow statement has changed slightly under IFRS but the underlying use of cash resources was reduced in the first half of 2005. The overall decrease in cash, cash equivalents and short term investments was £3.8 million (H1 2004: decrease of £5.6 million). The net cash outflow from operations was £1.2 million less at £4.3 million (H1 2004: outflow of £5.5 million). There are two parts to this: firstly, the cash outflow from operations before interest and tax was £0.5 million less at £5.1 million (H1 2004: £5.6 million). Secondly, there was a receipt of £0.7 million in 2005 for UK R&D tax credit (H1 2004: £nil). The cash outflow for the period was further reduced by higher proceeds from the issue of shares, which amounted to £0.6 million (H1 2004: £0.2 million). All of the share issues in the first half of 2005 were on the exercise of share options.

## CONCLUSION

The first half of 2005 has again been successful in terms of clinical and preclinical progress, and business development. Discussions continue with prospective partners for products within the pipeline including lead products in the oncology and neurotherapy portfolios. The company's strategy is to secure development and commercialisation partners for its products following proof of principle in either clinical or preclinical studies. Signing new collaborations is

a key focus for the company in the next 12 months. The objective for these collaborations is to maximise shareholder value by balancing near term resource requirements and long term benefit from product commercialisation.

The company continues to be in a strong position with its innovative pipeline, proven technology and broad intellectual property. Overall, the outlook for the company remains positive with significant newsflow anticipated from the oncology and neurotherapy products. This reflects the potential for significant progress within the development pipeline and the prospects for new corporate collaborations and licensing agreements. On behalf of the Board, we thank our staff, our collaborators and our shareholders for their ongoing support and commitment.



Dr Peter Johnson  
CHAIRMAN



Professor Alan Kingsman  
CHIEF EXECUTIVE OFFICER

# CONSOLIDATED INCOME STATEMENT

## FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Continuing operations</b>				
Revenue	3	<b>232</b>	293	502
Research and development costs		<b>(4,838)</b>	(5,233)	(9,013)
Administrative expenses		<b>(1,505)</b>	(3,047)	(4,359)
Other operating income: grants receivable		<b>13</b>	229	364
<b>Operating loss</b>		<b>(6,098)</b>	(7,758)	(12,506)
Analysed as:				
Operating loss before exceptional item		<b>(6,098)</b>	(6,180)	(10,938)
Exceptional administrative expenses		-	(1,578)	(1,568)
Operating loss		<b>(6,098)</b>	(7,758)	(12,506)
Interest receivable		<b>487</b>	616	1,158
<b>Loss before tax</b>		<b>(5,611)</b>	(7,142)	(11,348)
Taxation		<b>639</b>	536	884
<b>Loss for the period from continuing operations</b>		<b>(4,972)</b>	(6,606)	(10,464)
Basic loss and diluted loss per ordinary share	4	<b>(1.3p)</b>	(1.8p)	(2.8p)

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 RECOGNISED INCOME AND EXPENSE

	Notes	<b>Six months ended 30 June 2005 £'000</b>	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Loss for the financial period</b>		<b>(4,972)</b>	(6,606)	(10,464)
Employee services credit for share options		<b>113</b>	45	125
Net exchange adjustments offset in reserves	11	<b>(2)</b>	(55)	(47)
Total recognised expense for the period		<b>(4,861)</b>	(6,616)	(10,386)

# CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2005

	Notes	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	5	1,641	1,572	1,627
Property, plant and equipment	6	996	1,509	1,237
Financial assets: Investment in joint venture		-	26	-
		<b>2,637</b>	3,107	2,864
<b>Current assets</b>				
Trade and other receivables	7	1,815	1,880	1,618
Current tax assets		1,700	1,785	1,685
Financial assets: Available for sale investments		13,174	21,176	17,500
Cash and cash equivalents	8	5,450	5,069	4,917
		<b>22,139</b>	29,910	25,720
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	9	2,171	2,327	1,741
Current tax liabilities		1	49	-
Provisions	10	76	139	73
		<b>2,248</b>	2,515	1,814
<b>Net current assets</b>				
		<b>19,891</b>	27,395	23,906
<b>Non-current liabilities</b>				
Provisions	10	396	430	391
<b>Net assets</b>				
		<b>22,132</b>	30,072	26,379

	Notes	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
<b>Shareholders' equity</b>				
Ordinary shares	11	<b>3,758</b>	3,716	3,721
Share premium	11	<b>78,886</b>	78,237	78,309
Other reserves	11	<b>86</b>	80	88
Retained losses	11	<b>(60,598)</b>	(51,961)	(55,739)
Equity shareholders' funds	11	<b>22,132</b>	30,072	26,379

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Cash outflows from operating activities</b>				
Cash outflow from operations	A	(5,149)	(5,625)	(10,747)
Interest received		245	166	1,096
Tax credit received		650	-	400
Overseas tax paid		(26)	-	-
Net cash outflow from operating activities		<b>(4,280)</b>	(5,459)	(9,251)
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		-	105	110
Purchases of property, plant and equipment		(118)	(228)	(316)
Purchases of intangible assets		(14)	(165)	(229)
Proceeds from sale of available for sale investments		4,326	1,974	5,650
Net cash received from investing activities		<b>4,194</b>	1,686	5,215
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary share capital		614	160	281
Effects of exchange rate changes		5	(4)	(14)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>533</b>	(3,617)	(3,769)
Cash and cash equivalents at 1 January		4,917	8,686	8,686
<b>Cash and cash equivalents at period end</b>		<b>5,450</b>	5,069	4,917

# NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

## FOR THE SIX MONTHS ENDED 30 JUNE 2005

<b>Note A:</b> <b>Reconciliation of operating loss to net cash outflow from operating activities</b>	<b>Six months ended 30 June 2005 £'000</b>	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Cash generated from continuing operations</b>			
Net loss	<b>(4,972)</b>	(6,606)	(10,464)
Adjustments for:			
Tax	<b>(639)</b>	(536)	(884)
Depreciation	<b>334</b>	741	1,040
Loss on disposal of property, plant and equipment	-	181	260
Impairment of investment in joint venture	-	-	26
Impairment of intangibles	-	(2)	7
Interest income	<b>(487)</b>	(616)	(1,158)
Share options – value of employee services	<b>113</b>	45	125
<b>Changes in working capital</b>			
Decrease/(increase) in trade and other receivables	<b>65</b>	(194)	(394)
Increase in payables	<b>450</b>	812	225
(Decrease)/increase in provisions	<b>(23)</b>	569	464
Effects of exchange rate changes	<b>10</b>	(19)	6
<b>Net cash outflow from continuing operations</b>	<b>(5,149)</b>	(5,625)	(10,747)

# NOTES TO ACCOUNTS

## 1 BASIS OF PREPARATION

The financial information for the six months ended 30 June 2005 is unaudited and has been prepared in accordance with the group's accounting policies, set out below, that are expected to apply for 2005. The financial information for the six months ended 30 June 2004 is also unaudited and has been restated in accordance with the accounting policies set out below. These results have not been reviewed by the group's Auditors. The financial information relating to the year ended 31 December 2004 has been extracted from the full report for that year and has also been restated in accordance with the accounting policies set out below. This information is currently unaudited. The report of the Auditors on the 2004 accounts as prepared under UK GAAP was unqualified. The statutory accounts presented under UK GAAP for the year ended 31 December 2004 were approved at the company's Annual General Meeting on 11 May 2005. The financial information in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

These interim financial statements have been prepared in accordance with the accounting policies the company expects to be applicable at 31 December 2005 and the interpretation of those accounting standards underlying the accounting policies. As listed companies in a large number of countries are adopting IFRS for the first time, there is limited established practice upon which to draw in matters of interpretation and application. Furthermore, it is possible that new standards and new interpretations may be issued which could affect the group. These figures may therefore require amendment, to change the basis of accounting/or presentation of certain financial information, before their inclusion in the IFRS financial statements for the year ended 31 December 2005, when the group prepares its first complete set of IFRS statements.

These interim financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Copies of the interim results for the six months ended 30 June 2005 are being sent to all shareholders. Details can also be found on the company's website at [www.oxfordbiomedica.co.uk](http://www.oxfordbiomedica.co.uk). Further copies of the interim results and copies of the full report and accounts for the year ended 31 December 2004 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 19 September 2005.

## 2 ACCOUNTING POLICIES

A summary of the more important group accounting policies, which have been applied consistently to all the financial periods presented, is set out below.

### TRANSITIONAL ARRANGEMENTS

The group is required to establish its IFRS accounting policies for the year ended 31 December 2005 and apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 January 2004. IFRS 1 'First-time adoption of International Financial Reporting Standards' sets out the procedure that the group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The group has taken advantage of two optional exemptions under IFRS 1:

- 1) Share-based payments: The group operates share option schemes, which all of its employees are entitled to participate in. Under IFRS, income statement charges are based on the fair value of equity-settled share-based awards at grant date. The cost is calculated using an option pricing model, and the group has taken the exemption provided in IFRS1 which allows the charge to be calculated only in respect of options granted to employees after 7 November 2002 which had not vested by 1 January 2005, amortised over the vesting period of the options.
- 2) Business combinations: The group has elected not to apply IFRS 3 'Business combinations' retrospectively to business combinations which took place prior to the transition date, namely that the acquisition in 1996 of 100% of the issued share capital of Oxford BioMedica (UK) Limited has been accounted for by the merger accounting method.

An explanation of the impact of how transition from UK GAAP to IFRS has affected the group's financial position, income statement and cash flows is contained in note 12.

### BASIS OF CONSOLIDATION

The consolidated income statement and group balance sheet include the accounts of the company and its subsidiary undertakings made up to 30 June and 31 December. Intra-group sales and profits are eliminated fully on consolidation.

### TURNOVER

The group generates turnover as a result of technology licence transactions. Typically, these transactions are structured such that there is an initial upfront non-refundable payment on execution of the licence and the potential for further annual maintenance payments for the term specified in the licence. Where the initial fee paid is non-refundable and there are no ongoing commitments from the group, and the licence has no fixed end date, the group recognises the element received up front, as a payment in consideration of the granting of the licence, on execution of the contract. Maintenance fees within the contracts are spread over the period to which they relate, usually a year. Amounts recognised exclude value added tax. Differences between cash received and amounts recognised are included as deferred revenue where cash received exceeds revenue recognised and as accrued revenue where revenue has yet to be billed to the customer.

### SEGMENTAL REPORTING

The group has one single business, based upon its proprietary technology, operated out of two geographical locations – Oxford (UK) which is the principal operating site, generating all the turnover, and San Diego (USA) which provides intellectual property management and business development services to the UK subsidiary.

## FINANCIAL INSTRUMENTS

The group's financial instruments comprise cash and cash equivalents, together with available for sale investments, debtors and creditors arising directly from operations and the onerous lease provision. Cash and cash equivalents comprise cash in hand and short term deposits which have an original maturity of three months or less and are readily convertible into known amounts of cash. Bank deposits with maturity of more than three months are classified as short term investments, and are carried at their historic purchase price unless there is objective evidence of impairment. Financial instruments are valued at fair value, subject to review for impairment at the balance sheet date.

The group does not enter into derivative transactions, and it is the group's policy not to undertake any trading in financial instruments. The group does not have any committed borrowing facilities, as its cash, cash equivalents and short term deposits are sufficient to finance its current operations. Cash balances are mainly held on short and medium term deposit with quality financial institutions, in line with the group's policy to minimise the risk of loss. The main risks associated with the group's financial instruments relate to interest rate risk and foreign currency risk. The group's policy in relation to interest rate risk is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day to day cash requirements. In relation to foreign currency risk, the group's policy is to hold the majority of its funds in sterling, and no hedging of foreign currency cash outflows is undertaken. These policies have been applied consistently throughout the periods reported.

## OPERATING LEASES

Assets acquired under leases are reviewed to see if they are finance leases or operating leases, based on the following assumptions:

- If the leases transfer ownership of the assets at the end of the lease
- If they have a bargain purchase option
- If the lease term is for the major part of the economic life of the asset
- If the leased assets are specialised for the lease only

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

## ONEROUS LEASE PROVISION

When leasehold properties become redundant or excess space arises in those properties, the group provides for all costs to the end of the lease or the anticipated date of surrender of the lease, net of anticipated income. Such provisions are then discounted.

## PROPERTY PLANT AND EQUIPMENT

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

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

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

## INTANGIBLES

Intangible fixed assets, relating to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historic cost, less accumulated amortisation, where the useful life of the asset is finite and the asset will probably generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation, but is tested at each balance sheet date for impairment.

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

Expenditure on research activities and development activities that do not meet the above criteria, including ongoing costs associated with acquired intellectual property rights and intellectual property rights generated internally by the group, is charged to the income statement as incurred.

## GOVERNMENT AND OTHER GRANTS

Income from government and other grants is recognised over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. This grant income is included as other operating income within the income statement, and the related costs are included within research and development costs and administrative expenses.

## EMPLOYEE BENEFIT COSTS

The group operates defined contribution pension schemes for its directors and employees. The assets of the schemes are held in independently administered funds. The pension cost charge recognised in the period represents amounts payable by the group to the funds.

## SHARE BASED PAYMENT

Equity settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period of the award. At each balance sheet date the group revises its estimate of the number of options that are expected to become exercisable.

The fair value of share options is measured using a Black-Scholes option pricing model. When share options are exercised the proceeds received are credited to share capital (nominal value) and share premium.

## OTHER EMPLOYEE BENEFITS

The expected cost of compensated short term absence (e.g. holidays) is recognised when employees render services that increased their entitlement. Accrual is made for holidays earned but not taken.

## CASH AND CASH EQUIVALENTS

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

#### CURRENCY TRANSLATION

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

Assets and liabilities of the company's US subsidiary are translated to sterling at the period-end exchange rate, whilst its statements of income and cash flows are translated at monthly average rates. The translation differences that arise are taken directly to a currency translation account within equity.

#### TAXATION INCLUDING DEFERRED TAX

The charge for current tax is based on the results for the period, adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, negative goodwill or from the acquisition of an asset, which does not affect either taxable or accounting income.

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

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

### 3 SEGMENTAL ANALYSIS

The group's turnover and loss on ordinary activities before taxation are derived entirely from its principal activity, biotechnology research and development. The only meaningful business segments comprise the group's UK and US operations. The majority of the group's activities take place in the UK, with the US subsidiary providing intellectual property management and business development support to the UK operation. Prior to the reorganisation in 2004, research and development activities were also carried out in the USA. Purchases and sales between subsidiaries are eliminated on consolidation.

The segment results for the periods ended 30 June 2005, 30 June 2004 and 31 December 2004 are as follows:

<b>Primary reporting format – geographic Six months ended 30 June 2005</b>	United Kingdom £'000	United States of America £'000	Total £'000
<b>Continuing operations</b>			
Revenue	232	-	232
Segmental operating loss	(5,797)	(301)	(6,098)
Interest receivable/(payable)	503	(16)	487
<b>Loss before tax</b>	(5,294)	(317)	(5,611)
Taxation credit/(payable)	657	(18)	639
<b>Loss attributable to equity shareholders</b>	(4,637)	(335)	(4,972)
<b>Six months ended 30 June 2004</b>	United Kingdom £'000	United States of America £'000	Total £'000
<b>Continuing operations</b>			
Revenue	293	-	293
Segmental operating loss	(5,512)	(2,246)	(7,758)
Operating loss before exceptional item	(5,492)	(688)	(6,180)
Exceptional administrative expenses	(20)	(1,558)	(1,578)
Operating loss	(5,512)	(2,246)	(7,758)
Interest receivable	615	1	616
<b>Loss before tax</b>	(4,897)	(2,245)	(7,142)
Taxation credit/(payable)	585	(49)	536
<b>Loss attributable to equity shareholders</b>	(4,312)	(2,294)	(6,606)

**Year ended 31 December 2004**

	United Kingdom £'000	United States of America £'000	Total £'000
<b>Continuing operations</b>			
Revenue	502	-	502
Segmental operating loss	(9,926)	(2,580)	(12,506)
Operating loss before exceptional item	(9,906)	(1,032)	(10,938)
Exceptional administrative expenses	(20)	(1,548)	(1,568)
Operating loss	(9,926)	(2,580)	(12,506)
Interest receivable/(payable)	1,169	(11)	1,158
<b>Loss before tax</b>	<b>(8,757)</b>	<b>(2,591)</b>	<b>(11,348)</b>
Taxation credit/(payable)	885	(1)	884
<b>Loss attributable to equity shareholders</b>	<b>(7,872)</b>	<b>(2,592)</b>	<b>(10,464)</b>

Other segmental items included in the income statement are:

	United Kingdom £'000	United States of America £'000	Total £'000
<b>Six months ended 30 June 2005</b>			
Depreciation	333	1	334
<b>Six months ended 30 June 2004</b>			
Depreciation	349	392	741
Loss on disposal of property, plant and equipment	-	181	181
Impairment of intangibles	(2)	-	(2)
<b>Year ended 31 December 2004</b>			
Depreciation	693	347	1,040
Loss on disposal of property, plant and equipment	34	226	260
Impairment of intangibles	7	-	7
Impairment of fixed asset investments	26	-	26

The segment assets and liabilities at 30 June 2005, 30 June 2004 and 31 December 2004, and capital expenditure in the periods then ended, are as follows:

	United Kingdom £'000	United States of America £'000	Total £'000
<b>30 June 2005</b>			
Total assets	24,350	426	24,776
Total liabilities	2,094	550	2,644
Capital expenditure	93	-	93
Purchase of intangibles	14	-	14
<b>30 June 2004</b>			
Total assets	32,196	821	33,017
Total liabilities	2,006	939	2,945
Capital expenditure	229	-	229
Purchase of intangibles	165	-	165
<b>31 December 2004</b>			
Total assets	28,247	337	28,584
Total liabilities	1,638	567	2,205
Capital expenditure	334	5	339
Purchase of intangibles	229	-	229

The group's turnover derives from the UK, other EU states and the USA.

	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
<b>Turnover by destination</b>			
United Kingdom	-	35	35
Rest of Europe	72	-	57
North America	160	258	410
Total turnover	232	293	502

#### 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 373,949,311 in issue during the six months ended 30 June 2005 (six months ended 30 June 2004: 371,046,099; year ended 31 December 2004: 371,457,455).

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 INTANGIBLES

	Intellectual property rights £'000
<b>Cost</b>	
At 1 January 2005	1,991
Additions at cost	14
Disposals	(23)
<b>At 30 June 2005</b>	<b>1,982</b>
<b>Impairment</b>	
At 1 January 2005	364
Disposals	(23)
<b>At 30 June 2005</b>	<b>341</b>
<b>Net book amount at 30 June 2005</b>	<b>1,641</b>
Net book amount at 30 June 2004	1,572
Net book amount at 31 December 2004	1,627

## 6 PROPERTY, PLANT & EQUIPMENT

	Short leasehold improvements £'000	Office equipment, fixtures and fittings £'000	Computer equipment £'000	Laboratory equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2005	2,213	86	308	2,494	5,101
Exchange differences	24	-	-	-	24
Additions at cost	7	1	65	20	93
Disposals	-	-	(10)	(28)	(38)
<b>At 30 June 2005</b>	<b>2,244</b>	<b>87</b>	<b>363</b>	<b>2,486</b>	<b>5,180</b>
<b>Depreciation</b>					
At 1 January 2005	1,768	59	267	1,770	3,864
Exchange differences	24	-	-	-	24
Charge for the period	142	8	20	164	334
Disposals	-	-	(10)	(28)	(38)
<b>At 30 June 2005</b>	<b>1,934</b>	<b>67</b>	<b>277</b>	<b>1,906</b>	<b>4,184</b>
<b>Net book amount at 30 June 2005</b>	<b>310</b>	<b>20</b>	<b>86</b>	<b>580</b>	<b>996</b>
Net book amount at 30 June 2004	588	33	32	856	1,509
Net book amount at 31 December 2004	445	27	41	724	1,237

## 7 TRADE AND OTHER RECEIVABLES

	<b>30 June 2005 £'000</b>	30 June 2004 £'000	31 December 2004 £'000
<b>Amounts falling due after more than one year</b>			
Other debtors – rent deposit	<b>229</b>	259	214
<b>Amounts falling due within one year</b>			
Trade debtors	<b>45</b>	195	162
Other debtors	<b>845</b>	992	619
Other tax receivable	<b>318</b>	89	124
Prepayments and accrued income	<b>378</b>	345	499
	<b>1,586</b>	1,621	1,404
<b>Total trade and other receivables</b>	<b>1,815</b>	1,880	1,618

## 8 CASH AND CASH EQUIVALENTS

	<b>30 June 2005 £'000</b>	30 June 2004 £'000	31 December 2004 £'000
Cash at bank and in hand	<b>236</b>	432	40
Short term bank deposits	<b>5,214</b>	4,637	4,877
<b>Total cash and cash equivalents</b>	<b>5,450</b>	5,069	4,917

The effective interest rate on short-term deposits was 4.60% (30 June 2004 4.37%, 31 December 2004 4.48%) and these deposits have an average maturity of 56 days.

## 9 TRADE AND OTHER PAYABLES - CURRENT

	<b>30 June 2005 £'000</b>	30 June 2004 £'000	31 December 2004 £'000
Trade payables	<b>465</b>	571	351
Other taxation and social security payable	<b>150</b>	96	219
Accruals and deferred income	<b>1,556</b>	1,660	1,171
<b>Total payables</b>	<b>2,171</b>	2,327	1,741

## 10 PROVISIONS – ONEROUS LEASE PROVISION

	<b>30 June 2005 £'000</b>	30 June 2004 £'000	31 December 2004 £'000
At 1 January	<b>464</b>	-	-
Charged to the income statement	-	569	568
Utilised in the period	<b>(40)</b>	-	(101)
Amortisation of discount	<b>10</b>	-	13
Adjustment due to change of discount rate	<b>7</b>	-	10
Exchange difference	<b>31</b>	-	(26)
<b>At 30 June/31 December</b>	<b>472</b>	569	464

	<b>30 June 2005 £'000</b>	30 June 2004 £'000	31 December 2004 £'000
Current	<b>76</b>	139	73
Non-current	<b>396</b>	430	391
<b>Total provisions</b>	<b>472</b>	569	464

The onerous lease provision relates to the estimated rental shortfall in respect of the property in San Diego, USA, discounted at 4.10% per annum, and will be utilised over the term of the lease which is due to expire in 2012.

## 11 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'000	Share premium £'000	Translation reserve £'000	Merger reserve £'000	Retained losses £'000	Total £'000
At 1 January 2004	3,703	78,045	(576)	711	(45,400)	36,483
Exchange adjustments	-	-	(55)	-	-	(55)
Loss for the 6 months ended 30 June 2004	-	-	-	-	(6,606)	(6,606)
New shares issued excluding share options	3	53	-	-	-	56
Costs of share issues	-	(21)	-	-	-	(21)
Share options – proceeds from shares issued	10	160	-	-	-	170
Share options – value of employee services	-	-	-	-	45	45
<b>At 30 June 2004</b>	<b>3,716</b>	<b>78,237</b>	<b>(631)</b>	<b>711</b>	<b>(51,961)</b>	<b>30,072</b>
Exchange adjustments	-	-	8	-	-	8
Loss for the 6 months ended 31 December 2004	-	-	-	-	(3,858)	(3,858)
New shares issued excluding share options	4	51	-	-	-	55
Costs of share issues	-	2	-	-	-	2
Share options – proceeds from shares issued	1	19	-	-	-	20
Share options – value of employee services	-	-	-	-	80	80
<b>At 31 December 2004</b>	<b>3,721</b>	<b>78,309</b>	<b>(623)</b>	<b>711</b>	<b>(55,739)</b>	<b>26,379</b>
Exchange adjustments	-	-	(2)	-	-	(2)
Loss for the 6 months ended 30 June 2005	-	-	-	-	(4,972)	(4,972)
New shares issued excluding share options	-	-	-	-	-	-
Costs of share issues	-	-	-	-	-	-
Share options – proceeds from shares issued	37	577	-	-	-	614
Share options – value of employee services	-	-	-	-	113	113
<b>At 30 June 2005</b>	<b>3,758</b>	<b>78,886</b>	<b>(625)</b>	<b>711</b>	<b>(60,598)</b>	<b>22,132</b>

## 12 RECONCILIATION OF NET ASSETS AND LOSS UNDER UK GAAP TO IFRS

Oxford BioMedica plc reported under UK GAAP in its previously published financial statements for the six months ended 30 June 2004 and the year ended 31 December 2004. The analyses below show reconciliations of the net assets under UK GAAP to IFRS at the transition date, which was 1 January 2004, and of the losses and net assets as reported under UK GAAP as at 30 June 2004 and 31 December 2004 to the revised losses under IFRS as reported in these interim financial statements.

<b>Reconciliation of equity at 1 January 2004 (Date of transition to IFRS)</b>	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Intangible assets	(a)	135	1,270	1,405
Property, plant and equipment		2,331	-	2,331
Financial assets: Investment in joint venture		26	-	26
<b>Total non-current assets</b>		<b>2,492</b>	<b>1,270</b>	<b>3,762</b>
Trade and other receivables		1,186	-	1,186
Current tax assets		1,200	-	1,200
Financial assets: Available for sale investments		23,150	-	23,150
Cash and cash equivalents		8,686	-	8,686
<b>Total current assets</b>		<b>34,222</b>	<b>-</b>	<b>34,222</b>
<b>Total assets</b>		<b>36,714</b>	<b>1,270</b>	<b>37,984</b>
Trade and other payables		(1,501)	-	(1,501)
<b>Total assets less total liabilities</b>		<b>35,213</b>	<b>1,270</b>	<b>36,483</b>
Ordinary shares		3,703	-	3,703
Share premium		78,045	-	78,045
Other reserves		135	-	135
Retained losses		(46,670)	1,270	(45,400)
<b>Total equity</b>		<b>35,213</b>	<b>1,270</b>	<b>36,483</b>

<b>Reconciliation of net loss</b>	Notes	Six months ended 30 June 2004 £'000	Year ended 31 December 2004 £'000
Net loss for the period reported under UK GAAP		(6,752)	(10,610)
Intangibles	(a)	191	271
Share based payment	(b)	(45)	(125)
<b>Net loss for the period reported under IFRS</b>		<b>(6,606)</b>	<b>(10,464)</b>

<b>Reconciliation of loss for the six months ended 30 June 2004</b>	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue		293	-	293
Research and development costs	(a,b)	(5,392)	159	(5,233)
Administrative expenses	(b)	(3,034)	(13)	(3,047)
Other operating income: grants receivable		229	-	229
Operating loss		(7,904)	146	(7,758)
Interest receivable		616	-	616
Taxation		536	-	536
<b>Net loss for the period</b>		<b>(6,752)</b>	<b>146</b>	<b>(6,606)</b>

<b>Reconciliation of equity at 30 June 2004</b>	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Intangible assets	(a)	111	1,461	1,572
Property, plant and equipment		1,509	-	1,509
Financial assets: Investment in joint venture		26	-	26
<b>Total non-current assets</b>		<b>1,646</b>	<b>1,461</b>	<b>3,107</b>
Trade and other receivables		1,880	-	1,880
Current tax assets		1,785	-	1,785
Financial assets: Available for sale investments		21,176	-	21,176
Cash and cash equivalents		5,069	-	5,069
<b>Total current assets</b>		<b>29,910</b>	<b>-</b>	<b>29,910</b>
<b>Total assets</b>		<b>31,556</b>	<b>1,461</b>	<b>33,017</b>
Trade and other payables		(2,327)	-	(2,327)
Current tax liabilities		(49)	-	(49)
Provisions		(569)	-	(569)
<b>Total liabilities</b>		<b>(2,945)</b>	<b>-</b>	<b>(2,945)</b>
<b>Total assets less total liabilities</b>		<b>28,611</b>	<b>1,461</b>	<b>30,072</b>
Ordinary shares		3,716	-	3,716
Share premium		78,237	-	78,237
Other reserves		80	-	80
Retained losses		(53,422)	1,461	(51,961)
<b>Total equity</b>		<b>28,611</b>	<b>1,461</b>	<b>30,072</b>

<b>Reconciliation of loss for the year ended 31 December 2004</b>	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue		502	-	502
Research and development costs	(a,b)	(9,190)	177	(9,013)
Administrative expenses	(b)	(4,328)	(31)	(4,359)
Other operating income: grants receivable		364	-	364
Operating loss		(12,652)	146	(12,506)
Interest receivable		1,158	-	1,158
Taxation		884	-	884
<b>Net loss for the year</b>		<b>(10,610)</b>	<b>146</b>	<b>(10,464)</b>

<b>Reconciliation of equity at 31 December 2004</b>	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Intangible assets	(a)	86	1,541	1,627
Property, plant and equipment		1,237	-	1,237
<b>Total non-current assets</b>		<b>1,323</b>	<b>1,541</b>	<b>2,864</b>
Trade and other receivables		1,618	-	1,618
Current tax assets		1,685	-	1,685
Financial assets: Available for sale investments		17,500	-	17,500
Cash and cash equivalents		4,917	-	4,917
<b>Total current assets</b>		<b>25,720</b>	<b>-</b>	<b>25,720</b>
<b>Total assets</b>		<b>27,043</b>	<b>1,541</b>	<b>28,584</b>
Trade and other payables		(1,741)	-	(1,741)
Provisions		(464)	-	(464)
<b>Total liabilities</b>		<b>(2,205)</b>	<b>-</b>	<b>(2,205)</b>
<b>Total assets less total liabilities</b>		<b>24,838</b>	<b>1,541</b>	<b>26,379</b>
Ordinary shares		3,721	-	3,721
Share premium		78,309	-	78,309
Other reserves		88	-	88
Retained losses		(57,280)	1,541	(55,739)
<b>Total equity</b>		<b>24,838</b>	<b>1,541</b>	<b>26,379</b>

<b>Reconciliation of loss for the six months ended 30 June 2005</b>	Notes	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Operating loss	(a,b)	(6,024)	(74)	(6,098)
Interest receivable		487	-	487
Taxation		639	-	639
Net loss for the period		(4,898)	(74)	(4,972)

### **Explanation of reconciling items between UK GAAP and IFRS**

#### **(a) Intangibles**

Under IFRS acquired intellectual property rights are capitalised as intangibles and either amortised or reviewed for impairment at each balance sheet date. Under UK GAAP intellectual property rights were written off in the accounting period in which they were incurred, with the exception of certain intellectual property rights acquired by the group at inception, which were capitalised as intangibles and amortised over ten years. As a result, at 1 January 2004 expenditure of £1,270,000 that had previously been charged to the profit and loss account was reclassified as intangible fixed assets, and amortisation totalling £357,000 that had previously been charged to the profit and loss account was replaced by impairment losses of £357,000. In 2004 a further £229,000 that had been charged to the profit and loss account under UK GAAP was reclassified as intangible fixed assets, and an amortisation charge of £49,000 was replaced by further impairment losses of £7,000.

#### **(b) Share based payment**

Under IFRS 2 a charge is required for all share-based payments including share options. The charge in the income statement is based on the fair value of the options at the grant date. Under UK GAAP there was no charge to the profit and loss account, as there was no difference between the exercise price and the market price at the date of issue. The company has taken advantage of an exemption in IFRS 1, and has not included charges for share options issued before 7 November 2002 or options which had already vested at 1 January 2005. The IFRS 2 charges were: 30 June 2005 £113,000; 31 December 2004 £125,000; 30 June 2004 £45,000. There is no impact on net assets.

### **Explanation of material adjustments to the cash flow statements**

Interest received of £245,000 (31 December 2004 £1,096,000; 30 June 2004 £166,000) and net income tax received of £624,000 (31 December 2004 £400,000; 30 June 2004 £Nil) are classified as part of operating cash flows under IFRS, but were included in separate categories in the UK GAAP cash flow statement.

Expenditure on acquired intellectual property rights of £14,000 (year ended 31 December 2004 £229,000, six months ended 30 June 2004 £165,000) are classified as part of cash flows from investing activities under IFRS, but had previously been included in the net cash outflow from operating activities.

Cash and cash equivalents include short term deposits of £5,214,000 (31 December 2004 £4,877,000; 30 June 2004 £4,637,000) under IFRS. Under UK GAAP these amounts were included in the management of liquid resources category. There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.



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