

Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2006

The Directors present their report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITY

Oxford BioMedica (LSE: OXB) is a biopharmaceutical company specialising in the development of novel gene-based therapeutics with a focus on the areas of oncology and neurotherapy. The Company was established in 1995 as a spin out from Oxford University, and is listed on the London Stock Exchange.

Oxford BioMedica has core expertise in gene delivery, as well as extensive in-house clinical, regulatory and manufacturing know-how. In oncology, the pipeline includes two clinical candidates and a preclinical targeted antibody therapy, which is being developed in collaboration with Wyeth. The Company has started Phase III development of its lead cancer immunotherapy product, TroVax, in renal cancer, and multiple Phase II trials in various cancer settings are ongoing or planned. In neurotherapy, the Company's lead product, ProSavin, is expected to enter clinical trials in Parkinson's disease in 2007. The preclinical pipeline includes gene-based products for vision loss, motor neuron disease and nerve repair. The Group is underpinned by over 80 patent families, which represents one of the broadest patent estates in the field.

At 31 December 2006 the Group had a staff of 73, mainly based at its laboratories and offices in Oxford. The Group has a wholly owned subsidiary, BioMedica Inc, in San Diego, California. Oxford BioMedica has corporate collaborations with Wyeth, Intervet, Sigma-Aldrich, Viragen, MolMed and VIRxSYS, and has licensed technology to a number of companies including Merck & Co, Biogen Idec, GSK and Pfizer.

Oxford BioMedica plc is a public limited company incorporated in England and Wales. The Company is resident in England and the registered office is The Medawar Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford OX4 4GA, United Kingdom.

Further information is available at www.oxfordbiomedica.co.uk

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The consolidated income statement for the year is set out on page 53. A review of the Group's activities and future developments is contained within the Company Overview, Chairman's Report and Business Review on pages 2 to 23 and the Financial Review on pages 32 to 36.

SHARE CAPITAL

During 2006 the Company issued 2,446,260 ordinary shares on the exercise of share options, and also issued 485,185 ordinary shares as part of a development collaboration for ocular gene therapy.

DIVIDENDS

The Directors do not recommend payment of a dividend (2005: nil).

GROUP RESEARCH AND DEVELOPMENT ACTIVITIES

During the year the Group incurred expenditure of £19,523,000 on research and development (2005: £9,327,000), all of which was written off to the profit and loss account.

CHARITABLE DONATION

The Group made no charitable donations during the year (2005: £1,500).

DIRECTORS

The Directors of the Company at 31 December 2006, who had been Directors for the whole of the year then ended unless otherwise indicated, were:

Mark Berninger	Non-Executive Director
Dr Peter Johnson	Non-Executive Chairman, Chairman of Audit and Remuneration Committees
Professor Alan Kingsman	Chief Executive Officer
Professor Susan Kingsman	Chief Scientific Officer
Dr Michael McDonald	Chief Medical Officer: appointed 2 February 2006
Peter Nolan	Senior Vice President: Commercial Development
Nicholas Rodgers	Senior Independent Director
Andrew Wood	Chief Financial Officer
Nicholas Woolf	Senior Vice President: Corporate Strategy

Raj Uppal, who had served as a Non-Executive Director since 2001, resigned from the Board on 13 March 2006.

All Directors are subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of not more than three years. At the 2007 Annual General Meeting Mark Berninger, Peter Nolan, Andrew Wood and Nicholas Woolf will retire in accordance with article 93 of the Company's articles of association and will offer themselves for re-election. The appointment of Mark Berninger is subject to three months' notice. The contracts of employment of Peter Nolan, Andrew Wood and Nicholas Woolf are subject to twelve months' notice.

Biographical details of all the Directors, including those submitted for re-election are given on pages 28 and 29.

The interests of the Directors at 31 December 2006 in the share capital of the Company are disclosed in the Directors' Remuneration Report on pages 44 to 50.

EMPLOYEES

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

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

Further details on employees, health and safety, environmental matters and corporate social responsibility are in the Corporate Social Responsibility Statement on pages 24 to 26.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these Financial Statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these Financial Statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the Financial Statements of the parent company and Group on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group Financial Statements, article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Group's website, www.oxfordbiomedica.co.uk, is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SUBSTANTIAL SHAREHOLDINGS

At 20 February 2007 the Company had been notified of the following shareholdings amounting to 3% or more of the ordinary share capital of the Company.

Shareholder	Number of ordinary shares	Percentage of issued share capital
Credit Agricole Cheuvreux Limited	44,107,035	8.79%
M&G Investment Management Limited	38,825,426	7.79%
Barclays plc	31,871,336	6.35%
Man Financial Limited	28,075,547	5.60%
GAM London Limited	21,563,351	4.30%
Sputnik Group ¹	18,574,292	3.70%
Legal & General Group plc	19,456,556	3.88%
UBS AG	19,280,251	3.84%
TD Waterhouse Investor Services	17,225,997	3.43%
Professor Alan Kingsman and Professor Susan Kingsman ²	17,032,590	3.39%

¹ Aggregate interest of Sputnik Group Limited, Pogan Invest Corp. and Sulidad Invest & Trade Inc

² Aggregate interest, including 100,000 shares registered to CC Kingsman, the son of Alan and Susan Kingsman.

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

CREDITOR PAYMENT POLICY

The Company and its subsidiaries agree the terms of payment when agreeing the terms and conditions for their transactions with suppliers. Payment is made in compliance with those terms, subject to the terms and conditions of the relevant transaction having been met by the supplier. The Group's average creditor payment period at 31 December 2006 was 35 days (2005: 20 days). The Company has no trade creditors (2005: nil).

GOING CONCERN

Oxford BioMedica plc is a research and development based business with no currently marketed products. It expects to incur significant further costs as it continues to develop its portfolio of candidate products and related technology. The Directors expect that these costs will be met from existing financial resources, the proceeds of licensing agreements, and ultimately the proceeds of sales of products. However, there is no certainty that adequate resources will be available on a timely basis, and the Group may require additional financing for the future operation of its business, including further equity funding as appropriate, before it reaches sustained profitability.

The Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

BIA CODE

The UK BioIndustry Association ('BIA'), of which the Company is a member, adopted a code of best practice in 1999. The BIA code includes principles and provisions relating to corporate governance matters, access to external advice, confidentiality, dealings in the Company's shares, and standards of public announcements. It is intended to operate by reference to the particular circumstances of bioscience companies and in support of the Combined Code and the rules of the Financial Services Authority. Throughout 2006 the Company has complied with the relevant provisions of the BIA code.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware. Furthermore, they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

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

By order of the Board

Andrew Wood
Company Secretary