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TroVax

Encouraging Phase II results in renal cancer presented at ASCO



BUSINESS REVIEW




OPERATIONAL REVIEW





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Performance

In our 2006 Annual Report, we set out key operational objectives for our drug development and licensing activities in 2007. There were 20 key objectives for the year. In total, we achieved 14 of these during the period, and we expect to deliver on another four within the next 12 months, which equates to success rate of 90%. The two remaining objectives are no longer relevant to our modified strategy in 2008. We have listed our 2007 objectives and our performance in relation to these targets in the table below:

TROVAX	FINALISE GLOBAL LICENSING DEAL WITH A MAJOR PHARMACEUTICAL COMPANY In March 2007, we signed a global licensing agreement with sanofi-aventis. It is one of the largest alliances in the field of cancer immunotherapy in terms of potential payments.	✓
	REPORT FURTHER RESULTS FROM PHASE II TRIALS IN RENAL CANCER At ASCO in June 2007, we reported new positive data from two Phase II trials. 68% of evaluable patients with clear cell renal carcinoma showed disease control when treated with TroVax and there was a relationship between reduction in tumour burden and patients' anti-5T4 responses.	✓
	REPORT RESULTS FROM PHASE II TRIAL IN PROSTATE CANCER At AACR in April 2007, we reported preliminary data from the Phase II trial of TroVax with or without standard therapy of GM-CSF in hormone-refractory prostate cancer. TroVax was well tolerated and all patients developed anti-5T4 responses.	✓
	FIRST REVIEW BY DSMB OF PHASE III TRIAL IN RENAL CANCER The independent Data Safety Monitoring Board (DSMB) has completed three analyses, the most recent one being in February 2008. Following each review, the DSMB concluded that the trial should continue as planned without modification.	✓
	US NATIONAL CANCER INSTITUTE TO INITIATE PHASE II TRIAL IN BREAST CANCER Since TroVax is in a broad Phase III programme, Oxford BioMedica and sanofi-aventis concluded that it was no longer appropriate to carry out a study of this design. We are coordinating with the US clinical trials network to design a larger study of TroVax in breast cancer.	✗
	QUASAR TO INITIATE PHASE III TRIAL IN EARLY-STAGE COLORECTAL CANCER Following our collaboration, sanofi-aventis became a party to the QUASAR preparations and is acting as US regulatory agent for the trial, which has been submitted to the US and UK regulatory authorities for review prior to patient recruitment.	✓

PROSAVIN	PUBLISH PRECLINICAL RESULTS IN SCIENTIFIC JOURNAL	In 2007, we submitted a manuscript for publication. We have subsequently updated the reported data and responded to comments from the medical journal. We anticipate publication in 2008.	
	GAIN REGULATORY APPROVAL FOR START OF CLINICAL TRIALS	In December 2007, we received regulatory clearance from the French Health Products Safety Agency for our Clinical Trial Application (CTA). The CTA was submitted in July 2007.	
	START PHASE I/II TRIAL IN MODERATE TO LATE-STAGE PARKINSON'S DISEASE	Patient recruitment is underway and we plan to report preliminary results once the first cohort of patients is assessable, which is expected in mid-2008. The trial is being conducted at the Henri Mondor Hospital in Créteil, France.	

METXIA	REPORT RESULTS FROM STAGE TWO OF PHASE II TRIAL IN PANCREATIC CANCER	Preliminary results have shown disease stabilisation in 50% of evaluable patients. Patient survival is difficult to interpret for this heterogeneous patient group but has ranged from four to almost 110 weeks. Median survival for the evaluable patients is 26 weeks.	
	DEFINE OPTIMAL DOSE OF CYCLOPHOSPHAMIDE FROM STAGE TWO OF PHASE II TRIAL	Five dose levels of cyclophosphamide have been evaluated and additional patients are being recruited at the maximum tolerated (optimal) dose to establish more efficacy data in this patient group.	
	START DISCUSSIONS WITH PRINCIPAL INVESTIGATORS AND REGULATORY AUTHORITIES TO DETERMINE ROUTE TO REGISTRATION IN PANCREATIC CANCER	We have discussed the next development steps internally and with our clinical advisors. However, we have decided to collaborate with an industry partner for further development and commercialisation of MetXia.	
	PROGRESS COMMERCIAL DISCUSSIONS	We have initiated some discussions with prospective partners but we intend to broaden our business development efforts following successful completion of the Phase II trial.	

RETINOSTAT	<p>COMMENCE MANUFACTURING SCALE-UP OF CLINICAL MATERIAL</p> <p>In 2007, we initiated the process for clinical scale-up. We have commissioned GMP production of a key component of RetinoStat and we aim to have final clinical material by the end of 2008.</p>	✓
	<p>SUBMIT INVESTIGATIONAL NEW DRUG (IND) APPLICATION TO THE FDA FOR START OF CLINICAL TRIALS IN USA</p> <p>During 2007, our internal resources for LentiVector-based programmes were prioritised to ProSavin, which has extended our timetable for clinical development of RetinoStat. We expect to submit the IND in early 2009.</p>	✗
5T4-TARGETED ANTIBODY THERAPY	<p>WYETH TO CONTINUE ITS EVALUATION OF 5T4-TARGETED ANTIBODY THERAPY IN PRECLINICAL MODELS</p> <p>Wyeth's evaluation is ongoing. It aims to start clinical trials of its 5T4-targeted antibody therapy in solid cancers if warranted by the data.</p>	✓
TROVAX-VET	<p>LEADING ANIMAL HEALTH PARTNER TO START FIELD TRIALS IN DOGS</p> <p>Following the sanofi-aventis collaboration for TroVax in human cancers, Oxford BioMedica has decided on commercial grounds not to renew the collaboration for TroVax-Vet.</p>	✗
TECHNOLOGY LICENSING	<p>SIGN ADDITIONAL TECHNOLOGY LICENSING DEALS WITH BLUE-CHIP COMPANIES</p> <p>In July 2007, a major US-based biotechnology company licensed our LentiVector technology for research activities.</p>	✓
	<p>EXPAND EXISTING RELATIONSHIPS TO ESTABLISH MORE SIGNIFICANT COLLABORATIONS</p> <p>In January 2008, we gained exclusive rights to therapeutic RNAi technology using our LentiVector system. Many of our existing technology licensees use LentiVector-RNAi in research. These licences could be broadened to therapeutic RNAi applications.</p>	✗

Advanced Candidates

KEY HIGHLIGHTS

- Global development and commercialisation deal with sanofi-aventis
- Achieved two development milestones under sanofi-aventis agreement
- Three successful DSMB reviews of Phase III TRIST study in renal cancer
- Further Phase II results in renal cancer confirm therapeutic potential

KEY OBJECTIVES

- Complete recruitment and continue to manage the Phase III TRIST study
- Sanofi-aventis to initiate Phase III trial in metastatic colorectal cancer
- QUASAR to initiate Phase III trial in early-stage colorectal cancer
- Support sanofi-aventis in preparation for licensure and pre-marketing

TROVAX®

Development of our lead product candidate, TroVax, is progressing in multiple cancer types. The product is one of the most advanced therapeutic cancer vaccines in development. Therapeutic vaccines have the potential to play a significant role in cancer therapy as additive treatment options for patients. We believe that TroVax could be one of the first registered products in this field.

SANOFI-AVENTIS COLLABORATION

In March 2007, we secured a licensing agreement with sanofi-aventis for the global development and commercialisation of TroVax. The agreement is one of the largest alliances in the field of cancer immunotherapy.

Oxford BioMedica received payments from sanofi-aventis totalling €38 million in 2007, comprising an initial payment of €29 million and an early development milestone payment of €9 million. A further milestone payment of €10 million was triggered in February 2008 following the third successful interim analysis of the TRIST study by the Data Safety Monitoring Board. Further development and regulatory milestone payments could yield up to €470 million if TroVax is approved for a small number of defined cancer types. Oxford BioMedica is entitled to additional

milestone payments for other cancer types, commercial milestone payments when sales reach certain targets and tiered escalating royalty income on global sales.

The Phase III TRIST study of TroVax in renal cancer is being managed by Oxford BioMedica and co-funded with sanofi-aventis. All other TroVax activities, including development, registration and commercialisation, will be funded by sanofi-aventis. As part of the agreement, sanofi-aventis is committed to the rapid initiation of a Phase III trial in colorectal cancer. In terms of commercialisation, Oxford BioMedica retains an option to participate in the promotion of TroVax in the USA and the European Union.

PHASE III TRIST STUDY PROGRESS

The Phase III TRIST (TroVax Renal Immunotherapy Survival Trial) study, is progressing well. We are approaching full recruitment of 700 patients. The rate of recruitment has been encouraging. Over 100 centres are participating in the USA, Western Europe and Eastern Europe. It is rare for such a large trial to recruit to plan. One factor that affects the rate of recruitment, but is difficult to predict at the outset of a multi-centre trial, is clinicians' enthusiasm for the product. Clinicians have been highly supportive of the

trial, which reflects TroVax's excellent safety profile and potential to improve patients' survival and quality of life.

The trial has been recruiting at a rate of about 50 patients per month. This is comparable to the recruitment rate for the Phase III trial of Pfizer's Sutent® (sunitinib), which was one of the recently launched targeted agents for renal cancer that has had rapid uptake in terms of commercial sales. In January 2007, the UK National Cancer Research Network (NCRN), which provides the UK National Health Service (NHS) with the infrastructure to support cancer clinical trials, agreed to adopt the trial. The NCRN's adoption of TRIST means that multiple NHS centres are participating in the study. In reaching its decision to adopt the TRIST trial, the Renal Cancer Clinical Studies Group of the NCRN evaluated TroVax and the trial design and concluded that the product offers potential improvement in care for patients within the NHS.

The study is being conducted in patients with locally advanced or metastatic clear cell renal carcinoma. It is a randomised, placebo-controlled, two-arm study comparing TroVax in combination with standard of care to placebo with standard of care. The standard of care therapy can be sunitinib, interferon-alpha or interleukin-2. The protocol stratifies treatment between the three standards



Marc Cluzel, Senior Vice President Research and Development, sanofi-aventis.

Sanofi-aventis is one of the world's leading pharmaceutical companies and number one in Europe. It is active in many therapeutic areas and has a broad franchise in the field of cancer with two of the world's top five selling cancer treatments. Sanofi-aventis is present in 100 countries throughout the five continents. Its vaccines division,

Sanofi Pasteur, is a world leader in the industry, offering an extensive range of vaccines.

In 2007, sanofi-aventis signed an exclusive global license agreement with Oxford BioMedica to develop and commercialise TroVax, for the treatment and prevention of cancer.

Marc Cluzel, Senior Vice President Research and Development, sanofi-aventis, said: "We are very excited about the opportunity to be associated with this innovative therapeutic vaccine. Sanofi-aventis is committed to the development of novel anti-cancer agents that provide safer and more effective therapeutic options for cancer patients. We consider that therapeutic vaccines have an important role to play in the treatment of cancer, and the initial clinical data for TroVax suggest that it is one of the most promising candidates in the field.

Our collaboration combines Oxford BioMedica's expertise in cancer immunotherapy with the experience of sanofi-aventis in clinical development and commercialisation of oncology products. The collaboration is working well. The Phase III TRIST study of TroVax in renal cancer is on-track and we will shortly be starting Phase III trials in colorectal cancer. Given the broad distribution of the targeted tumour antigen, 5T4, TroVax could be evaluated in various solid tumours and stages of disease.

We look forward to our continuing partnership with Oxford BioMedica to advance the development and commercialisation of TroVax and, importantly, to provide cancer patients with new treatment options."

of care to ensure that the allocation of TroVax and placebo is rigorously balanced. The primary endpoint for the trial is overall survival; secondary endpoints include the percent of patients with progression-free survival at week 26, tumour response rates and quality-of-life scores. The trial is being conducted under a Special Protocol Assessment (SPA) agreement from the FDA. The SPA specifies the design, conduct, analysis and endpoints of the trial. With this in place, this single comparative trial may be used to support an efficacy claim in a regulatory submission to the FDA.

The independent DSMB for the TRIST study has completed three scheduled interim analyses, the most recent one being in February 2008. Following each review, the DSMB concluded that the trial should continue as planned without modification. The role of the DSMB is to evaluate unblinded data from the ongoing trial to determine whether there are safety or efficacy issues that would warrant modification of the protocol or early termination of the study. The DSMB is independent of Oxford BioMedica and sanofi-aventis. To preserve the study blinding, the DSMB provides no additional information other than its recommendation.

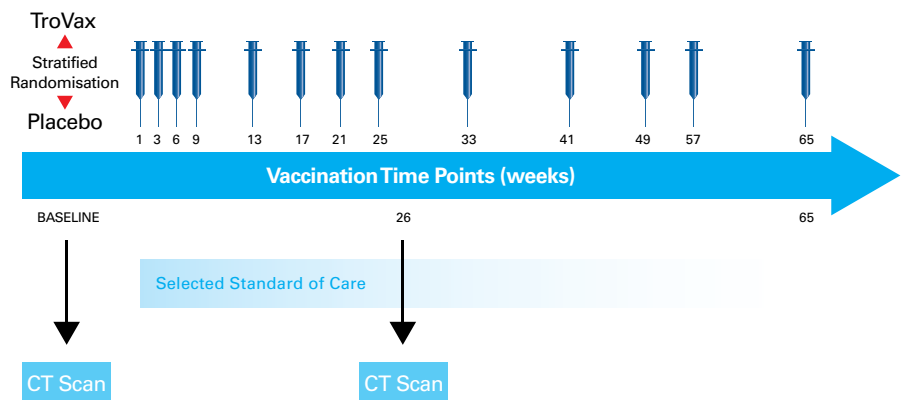
Based on the current progress, we expect the trial to reach its primary endpoint in the first half of 2009, which is aligned with our expectations at the outset of the study. If the primary endpoint is achieved, sanofi-aventis could file its first regulatory submission for registration of TroVax in renal cancer within a few months of the trial results. With Priority

Review from the FDA, the regulatory review period could be six months from submission.

COLORECTAL CANCER PHASE III TRIALS STARTING

Sanofi-aventis is starting an international, randomised, placebo-controlled Phase III trial of TroVax in colorectal cancer. The Phase III trial, which has been named FLAMENCO, is designed to assess TroVax as a first line treatment of patients with Stage IV metastatic colorectal cancer. It is expected to enrol approximately 1,300 patients. The trial design is similar to the TRIST study, in that it will evaluate TroVax in combination with first line standard of care versus placebo plus first line standard of care.

TRIST trial design



TECHMARK MEDISCIENCE AWARD FOR 'BREAKTHROUGH OF THE YEAR' – JUNE 2007

The techMARK Mediscience awards recognise and reward excellence of within the quoted life-sciences sector. As winners of this award we were recognised as the company which made the most significant breakthrough between 1 April 2006 and 31 March 2007.



The standard treatment will be chemotherapy with or without Avastin® (bevacizumab), which will be stratified between the two arms of the study. The primary endpoint will be overall survival and the trial will include an interim analysis to evaluate time to disease progression. The trial will be conducted under a SPA with the FDA and patient recruitment is expected to start in mid-2008. Results from the interim analysis are anticipated in 2010.

In addition to the Phase III trial in metastatic colorectal cancer, the UK clinical trials network QUASAR is starting a trial of TroVax in early-stage colorectal cancer. This trial is supported by both sanofi-aventis and Oxford BioMedica. Sanofi-aventis will act as the US regulatory agent for the trial, which has been submitted to the US and UK regulatory authorities. The trial will assess TroVax in patients with Stage II/III colorectal cancer who have had surgical resection of their primary tumours and been treated with adjuvant chemotherapy. It is expected to enrol approximately 3,000 patients and has been designed with a primary endpoint of three-year disease-free survival. The funding of the QUASAR trial derives from a variety of

sources, including the UK Medical Research Council and the Department of Health as well as Oxford BioMedica and sanofi-aventis. Patient recruitment is expected to commence in mid-2008.

UPDATE ON US-SPONSORED BREAST CANCER TRIAL

Over the last two years, we have been liaising with the SouthWest Oncology Group (SWOG), which is one of the largest cancer clinical trials cooperative groups in the USA, funded by research grants from the US National Cancer Institute, part of the National Institutes of Health. SWOG was planning to conduct a Phase II trial of TroVax in patients with advanced breast cancer. Since TroVax is being evaluated in a major Phase III programme, SWOG, Oxford BioMedica and sanofi-aventis have now concluded that an open-label Phase II study of TroVax to evaluate safety and immunology in this patient group is no longer necessary. SWOG remains committed to the TroVax programme, and we are working with the organisation to design a larger study of TroVax in breast cancer.

ENCOURAGING RESULTS FROM PHASE II TRIALS IN RENAL CANCER

At the Annual Meeting of the American Society of Clinical Oncology (ASCO) in June 2007, new data were reported from two Phase II trials of TroVax in renal cancer. TroVax was well tolerated with no serious adverse events attributable to the treatment and the product induced anti-5T4 antibody responses in 91% of patients. Twenty-four of 35 evaluable patients with clear cell renal carcinoma (68%) showed disease control. Two patients had complete responses (i.e. their tumours were completely eradicated),

TECHMARK AWARD FOR 'ACHIEVEMENT OF THE YEAR' – NOVEMBER 2007

The techMARK awards recognise the achievements and reward the successes of technology companies listed on AIM and the London Stock Exchange. This award was extremely wide ranging, recognising exceptional achievement by an individual or company, for example a major contract or joint venture.

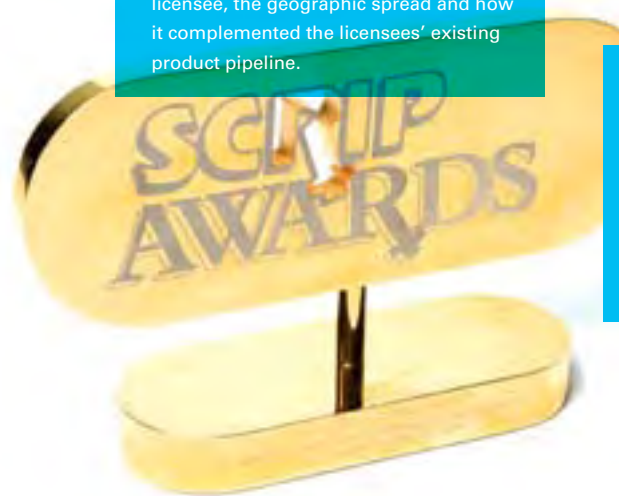


three had partial responses (i.e. tumour shrinkage) and 19 had stable disease for periods exceeding three months, including three patients that were stable for more than 17 months. Preliminary analysis of clinical benefit showed a statistically significant relationship between reduction in tumour burden in patients with clear cell renal carcinoma and patients' anti-5T4 antibody responses ($p=0.028$). These encouraging new data support the hypothesis that the 5T4-specific immune response induced by TroVax has therapeutic benefit.

The monetary and strategic value of our global licensing deal for TroVax with sanofi-aventis has been widely recognised by the industry and the financial community, with Oxford BioMedica receiving three prestigious awards during 2007. This was particularly gratifying, given the number of significant achievements in the sector as a whole over the year. Andrew Umbers, Chief Executive of Evolution Securities, which sponsored the techMARK mediscience awards summed this up by saying: "An obvious highlight [of 2007], which is reflected by this year's award nominees, has been the announcement of major product licensing deals by UK biotechnology firms." John Davis, Editor of Scrip commented on the awards: "The number and more importantly the quality of this year's entries was outstanding, and we feel this is a testament to the exciting and innovative work that the pharmaceutical and biotech industries continue to deliver."

SCRIP AWARD FOR 'LICENSING DEAL OF THE YEAR' – DECEMBER 2007

The Scrip awards recognise the pharmaceutical industry's achievements and contributions to science and the advancement of healthcare, and are testament to the hard work that goes on behind the scenes of drug development. In choosing the winner of this award, the judges considered not just the monetary value of each deal but also its strategic value to both the licensor and the licensee, the geographic spread and how it complemented the licensees' existing product pipeline.



PRESENTATION OF FINAL PHASE II RESULTS

Together with sanofi-aventis, we aim to present final data from all four open-label Phase II trials of TroVax in renal cancer at ASCO in May/June 2008. The trials evaluated TroVax as a single agent and in combination with high-dose interleukin-2, low-dose interleukin-2 or interferon-alpha.

Separately, we plan to report results from the completed Phase II trial of TroVax in prostate cancer at the Targeted Anticancer Therapies meeting, 20-22 March 2008, in the USA. The trial, in 27 patients with hormone-refractory prostate cancer, evaluated TroVax as a single agent and in combination with the standard therapy, granulocyte-macrophage colony-stimulating factor (GM-CSF). Preliminary data from this trial were previously reported in April 2007 at the Annual Meeting of the American Association for Cancer Research, showing that TroVax was well tolerated and all patients developed anti-5T4 antibody responses.

PRE-COMMERCIALISATION PLAN

The presentation of clinical data at upcoming conferences is part of the pre-commercialisation plan for TroVax ahead of the Phase III TRIST study results and potential registration in 2009. Sanofi-aventis is implementing a communications initiative to inform and educate the oncology community regarding TroVax ahead of its potential launch.

The companies have secured manufacturing for commercial launch, together with material for the Phase III trials in colorectal cancer. Discussions are ongoing with sanofi-aventis and our contract manufacturer regarding longer-term supply. Sanofi-aventis is evaluating its manufacturing strategy, which may include an in-house manufacturing facility for TroVax.

SUMMARY

We are delighted by the progress of the TroVax programme and by the commitment of our partner, sanofi-aventis. By combining Oxford BioMedica's expertise in cancer immunotherapy and the experience of sanofi-aventis in clinical development and commercialisation of oncology products, we hope to be able to bring this innovative and potentially valuable medicine to patients as soon as possible.

KEY HIGHLIGHTS

- Initiated Phase I/II trial in moderate to late-stage Parkinson's disease
- Efficacy in ongoing preclinical studies exceeds 27 months

KEY OBJECTIVES

- Publish preclinical results in scientific journal
- Report preliminary results from first cohort of patients in Phase I/II trial

PROSAVIN®

The first clinical trial of ProSavin in Parkinson's disease is underway in France. It is the first trial using our proprietary LentiVector technology and, as such, represents a major event for Oxford BioMedica and the future of the pipeline of products that use the same technology. The superior efficacy of ProSavin combined with the absence of side effects in preclinical studies suggest that ProSavin could be used to replace standard L-DOPA therapy in patients with moderate to late-stage Parkinson's disease. Following our discussions with the regulatory agency in France, we have started preparations to move from this Phase I/II trial directly into a Phase III trial, which could start at the end of 2009 or early 2010.

PHASE I/II TRIAL INITIATED

In December 2007, we opened the Phase I/II trial of ProSavin, having received regulatory clearance from the French Health Products Safety Agency (AFSSAPS) for our Clinical Trial Application (CTA). The CTA was submitted in July 2007. Patient recruitment is underway at the Henri Mondor Hospital in Paris, which is a European centre of excellence for neurosurgery and a member of the Assistance Publique Hôpitaux de Paris (APHP) in France. Several patients are undergoing detailed evaluation of their baseline Parkinsonian status prior to surgical administration of ProSavin. Treatment of the first patient is imminent.

The primary objectives of the trial are to assess the safety and efficacy of ProSavin. The analyses of patients will include the application of advanced non-invasive neuro-imaging techniques.

PHASE I/II TRIAL DESIGN

Patients in the trial will have been diagnosed with Parkinson's disease and will be failing on current treatment with L-DOPA but they will not have progressed to experiencing drug-induced movement disorders (dyskinesias). It is a two-stage study. The first stage is an open-label dose escalation to evaluate two dose levels of ProSavin in cohorts of three patients each. In the second stage of the trial, a further 12 patients will be recruited. Four of the 12 patients will act as a control group and only receive "sham" surgery.

ProSavin is administered locally to the brain, converting the target cells into a dopamine factory, thus replacing the patient's own lost source of the neurotransmitter. The surgical procedure for administration of ProSavin entails stereotactic bilateral injection into the striatum of the brain under general anaesthesia using MRI-imaging and mapping. The procedure is designed to be non-destructive to tissue and does not leave any device in the brain.

The efficacy of ProSavin will be assessed using the Unified Parkinson's Disease Rating Score (UPDRS). Patients will be monitored at regular intervals, with the primary endpoint being an efficacy assessment at six months

after treatment. The secondary objective of the trial is to assess the extent to which patients' current therapy (L-DOPA) can be reduced or removed following administration of ProSavin.

SUSTAINED EFFICACY IN PRECLINICAL STUDIES

We continue to assess the long-term efficacy data of ProSavin in a preclinical setting. In the industry-standard preclinical model of Parkinson's disease, known as the MPTP model, ProSavin induces almost complete recovery of movement function and other behavioural measurements following a single administration. In this model, the most recent time point shows that the therapeutic effect of ProSavin has been maintained for over 27 months with no diminution. Efficacy was similar to that expected with standard daily treatment with L-DOPA but with no evidence of the dyskinesias associated with prolonged L-DOPA treatment.

PHASE III PREPARATIONS

If the safety and efficacy observed in preclinical studies of ProSavin is replicated in the Phase I/II trial, then we would aim to move directly to a Phase III trial. Based on our anticipated timelines for the Phase I/II trial and for scaling-up the manufacture of ProSavin for Phase III and commercialisation, the Phase III trial could start in late 2009 or early 2010. The trial could be completed within two years, supporting first product registration in 2012-13.

ProSavin potentially has a unique profile and position in the treatment of Parkinson's disease. In 2007, a leading consulting group (Datamonitor) undertook an assessment of the opportunity for ProSavin based on responses from key opinion leaders and other stakeholders in the field of neurology. The key findings from this analysis are summarised below:

- The problems caused by long-term dopamine therapy are not addressed by current treatments for Parkinson's disease
- More invasive therapy used earlier in Parkinson's disease will allow better treatment of patients
- Physicians see gene therapy, particularly ProSavin, as one of the most promising new treatment options for Parkinson's disease
- Physicians were impressed with the profile of ProSavin in terms of potential efficacy, side effects and duration of action
- Patients with mid-stage or Hoehn and Yahr Stage III Parkinson's disease would be the largest group referred for ProSavin, followed by late-stage or Stage IV patients. Stage III and IV patients represent approximately 40% of the total prevalence.
- Physicians suggest earlier use of ProSavin than in Stages III and IV of disease would be possible depending on the surgical risks and cost/benefit of treatment
- ProSavin is expected to compete with current treatments such as deep brain stimulation as well as other future gene or cell therapy, while neuroprotectants are unlikely to compete directly with ProSavin
- Physicians indicated that the surgical procedure for ProSavin is easier to perform than deep brain stimulation and would therefore have no negative impact on patients when compared to current surgery
- All payers are expecting a high level of reimbursement for ProSavin if its efficacy and safety are demonstrated
- Using baseline assumptions, Datamonitor forecasts annual peak sales of ProSavin of approximately \$US900 million in the USA and top five European countries

SUMMARY

Current standard therapy for Parkinson's disease is only partially effective in the mid to late stage of disease and can induce debilitating side effects after long-term use. ProSavin has the potential to address this unmet medical need, offering long-lasting benefit from a single administration with an excellent safety profile. We are pleased to have started our first clinical trial of this potentially important new treatment approach for Parkinson's disease. The product could significantly expand the worldwide market for Parkinson's disease therapies, which are estimated to generate sales in excess of US\$3 billion, by reducing the social care burden associated with the mid to late-stage of disease.

The LentiVector system used within ProSavin is common to multiple preclinical candidates in our pipeline. The infrastructure for ProSavin that relates to manufacturing scale-up and safety testing can be applied across this portfolio. Hence, the time invested in the ProSavin programme should benefit our other LentiVector-based programmes.

KEY HIGHLIGHTS

- Acquisition of Oxxon Therapeutics included Hi-8 MEL melanoma vaccine
- Phase II follow-up confirms survival advantage in immune responders

KEY OBJECTIVES

- Prepare strategy for future development

HI-8[®] MEL

Hi-8 MEL is a therapeutic vaccine for metastatic melanoma, which was added to the pipeline following the Company's acquisition of Oxxon Therapeutics in March 2007. Oxxon Therapeutics had previously evaluated Hi-8 MEL in two clinical trials. These trials showed that the vaccine was well tolerated and produced strong killer T-cell immune responses against the cancerous cells at certain dose levels. The product has the potential to reduce mortality in patients with advanced disease, and can be used alongside standard therapy without adding significant toxicity. Hi-8 MEL is based on the same MVA vector technology as TroVax, together with a DNA-based configuration of the vaccine. If melanoma is treated early it can be cured by surgical resection. However, half of those with metastatic melanoma die of the disease within five years. A melanoma vaccine would offer new hope to such patients.

ENCOURAGING UPDATE ON PHASE II TRIAL IN MELANOMA

Updated results from a Phase II trial were presented at the American Association of Immunologists Annual Meeting in May 2007. The trial, in 41 patients with Stage III/IV melanoma, was designed to evaluate the immune and clinical responses elicited by Hi-8 MEL. The product was highly immunogenic with 91% of patients that received the optimal dose showing an antigen-specific immune response. Eight

patients (20%) showed periods of disease control. The presentation included follow-up of one patient that exhibited a sustained partial response for more than two years. The median survival for immune responders was 100 weeks versus 37 weeks for non-responders ($p < 0.001$).

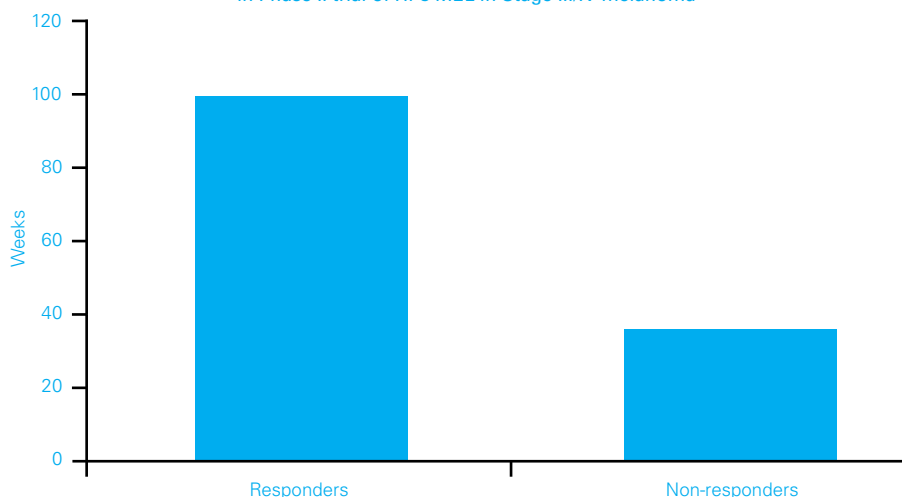
STRATEGY FOR FUTURE DEVELOPMENT

The Company believes information garnered from the ongoing TroVax studies will provide additional useful information on how best to develop Hi-8 MEL, which is a MVA-based tumour vaccine, like TroVax. We are reviewing the current formulation and data generated by Oxxon to ensure that Hi-8 MEL is ready for full development pending successful completion of the Phase III TRIST study of TroVax.

SUMMARY

Melanoma is one of only a few cancers in which the immune system appears to play a prominent role. The 5T4 antigen, that is the basis of TroVax, is not found on melanoma cells. Hence, Hi-8 MEL is an ideal complement to the potential applications of TroVax in solid tumours. Through our experience with TroVax, we have substantial expertise in cancer. We will apply this knowledge to the further development of Hi-8 MEL.

Median survival for immune responders versus non-responders in Phase II trial of Hi-8 MEL in Stage III/IV melanoma



METXIA®

MetXia is potentially useful in the treatment of a number of solid tumours and their metastases, particularly those where cyclophosphamide is commonly used as a treatment. The product is being evaluated in a Phase II trial in pancreatic cancer. The trial is a dose-escalation study to identify the optimal dose levels for MetXia and cyclophosphamide. In 2007, we initiated commercial discussions with potential partners for both MetXia and our associated technology for Gene-Directed Enzyme Prodrug Therapy (GDEPT).

PATIENT RECRUITMENT PROGRESSING IN PHASE II TRIAL

We initiated the Phase II trial of MetXia in 2004 in patients with non-resectable pancreatic tumours. The recruitment of patients has been purposefully staged since each patient needs to be carefully reviewed for their response to therapy prior to treatment of subsequent patients. However, the rate of enrolment in this trial has been problematic due to the strict criteria for patient suitability and the poor health of the majority of patients presenting for surgery. The patients are at an advanced stage of their disease, and most have previously failed to respond to other therapies.

To date, 23 patients have been treated in the study, in which MetXia and cyclophosphamide are delivered directly to

the pancreatic tumour via a catheter inserted through an artery. Two dose levels of MetXia and five dose levels of cyclophosphamide have been evaluated to assess the efficiency of P450 gene transfer and to determine the maximum tolerated dose of the prodrug.

PRELIMINARY PROOF OF CONCEPT RESULTS IN PHASE II TRIAL

Patients who received the optimal dose of MetXia and higher doses of cyclophosphamide are still being assessed. Preliminary results suggest that MetXia induces gene expression of P450 enzyme at the tumour site and that there have been no unexpected adverse events when MetXia and cyclophosphamide are used together in this manner.

To date, disease stabilisation has been evident in six of 12 evaluable patients (50%). Patient survival is difficult to interpret for this heterogeneous patient group but has ranged from four to almost 110 weeks. Median survival for the evaluable patients is 26 weeks. Additional patients are being recruited at the maximum tolerated dose to establish more efficacy data in this patient group. We plan to report further data from this trial during 2008.

INITIATED COMMERCIAL DISCUSSIONS

Following our strategic review in 2007, we initiated discussions with potential

partners for further development and commercialisation of MetXia. This will enable us to focus our resources on higher development priorities within the pipeline. MetXia is the most advanced product candidate to derive from our proprietary GDEPT technology. To maximise the commercial opportunity for MetXia and our GDEPT technology, we are seeking industry partners to provide additional resources and expertise.

SUMMARY

Preliminary data from the Phase II trial in non-resectable pancreatic cancer are encouraging and demonstrate proof of concept for our GDEPT technology. This platform technology has the potential for broad application. With appropriate investment, MetXia could be the first of multiple GDEPT-based products developed for the treatment of localised, accessible tumours.

KEY HIGHLIGHTS

- Recruitment progressing in Phase II trial
- Preliminary Phase II results confirm gene transfer

KEY OBJECTIVES

- Report further clinical data from the Phase II trial in pancreatic cancer
- Advance collaboration discussions for MetXia and the GDEPT technology

KEY HIGHLIGHTS

- Preclinical results confirm proof of concept

KEY OBJECTIVES

- Prepare regulatory submission for clinical development

RETINOSTAT®

RetinoStat is designed to provide long-term inhibition of aberrant blood vessel growth in the retina for the treatment of vision loss caused by conditions such as wet age-related macular degeneration (AMD) and diabetic retinopathy (DR). We have identified RetinoStat as our next LentiVector-based programme for clinical development, behind ProSavin. Our aim is to conduct an initial clinical trial in the USA, since the programme is supported by US organisations, namely Johns Hopkins University and the Foundation Fighting Blindness with its support organisation, the National Neurovision Research Institute.

NEW PROOF OF CONCEPT PRECLINICAL RESULTS

In May 2007, Oxford BioMedica and our collaborators at Johns Hopkins University in Baltimore presented encouraging preclinical data with RetinoStat at the Association for Research in Vision and Ophthalmology Annual Meeting. The presentation included preclinical proof of principle in an industry-standard model of neovascular AMD.

ONGOING CLINICAL PREPARATIONS

We have initiated the scale-up process for manufacturing clinical material. We have commissioned Good Manufacturing Practice (GMP) production of a key component of

RetinoStat and we aim to have final clinical material within the next 12 months. With our US collaborators, we are conducting additional non-clinical studies with RetinoStat that are required for our regulatory submission to start clinical trials. During 2007, our internal resources for LentiVector-based programmes were prioritised to ProSavin, which has extended our anticipated timelines for RetinoStat. However, the development of RetinoStat should benefit considerably from our investment in the manufacturing of ProSavin. We expect to submit an Investigational New Drug (IND) application to the FDA for the start of trials in patients with wet AMD during 2009.

SUMMARY

We have had initial discussions with potential partners for further development and commercialisation of RetinoStat. The industry is clearly interested in new anti-angiogenic treatment strategies for wet AMD, which have potential for superior efficacy and a lower injection frequency than the current standard therapy, which is Novartis' Lucentis®. Treatment with Lucentis requires injections into the eye every one to two months. Given the long-term gene expression capabilities of our LentiVector technology, a single administration of RetinoStat could be effective for over a year.

Early-stage Candidates

KEY HIGHLIGHTS

- Preclinical results with StarGen in model of Stargardt's disease
- Initiated EndoAngio-GT anti-cancer programme

KEY OBJECTIVES

- Identify next programme for clinical development

We have established a diverse early-stage pipeline that comprises eight preclinical product candidates. The in-house programmes are all gene-based therapies that utilise our LentiVector technology. In 2007, several of these programmes benefited from financial support provided by disease-focused charitable organisations through direct funding of studies or grants. During 2007, we initiated a new anti-cancer programme, EndoAngio-GT, and presented preclinical proof-of-concept results with StarGen in Stargardt's disease.

INITIATED ENDOANGIO-GT ANTI-CANCER PROGRAMME

In July 2007, we secured a licence from Children's Hospital Boston to the anti-angiogenic genes that are utilised in our RetinoStat vision loss programme for the treatment of cancer. This new anti-cancer programme, EndoAngio-GT, is based on a similar construct to RetinoStat. In 2007, we initiated preclinical optimisation of the product.

PRESENTATION OF STARGEN™ PRECLINICAL RESULTS

StarGen is designed to deliver a normal functional gene to treat an inherited ocular condition, Stargardt's disease. The programme is funded by the Foundation Fighting Blindness, the National Neurovision

Research Institute and a consortium of associated investors. At the Association for Research in Vision and Ophthalmology Annual Meeting in May 2007, we presented preclinical data with StarGen, showing efficacy in an industry-standard model of the disease. Additional preclinical studies are underway at Columbia University in New York, which could support advancement to clinical development in this niche commercial market.

In addition to our relationship around StarGen and RetinoStat, we are exploring a commercial collaboration with the Foundation Fighting Blindness to develop LentiVector-based therapeutic approaches for other ocular diseases.

Technology Licensing

KEY HIGHLIGHTS

- LentiVector technology licensing agreement with major US biotechnology company
- Secured rights to therapeutic RNAi technology using LentiVector system
- Partner, MolMed, starts Phase III trial of product using *ex vivo* technology

KEY OBJECTIVES

- Explore collaborations to exploit therapeutic LentiVector-RNAi opportunities

Technology

LentiVector technology licensing agreement with major US biotechnology company



Our technology licensing activities exploit the potential of our suite of gene delivery technologies by providing third-party access for research or specific development applications. We have added two new industry partners to our list of licensed LentiVector users and we entered the field of RNA interference using our LentiVector system for genetic delivery. In addition, one of our partners announced the start of a Phase III trial with a product that uses another of our technologies, which triggered a milestone payment.

NEW LENTIVECTOR LICENSING AGREEMENT

In July 2007, another major US-based biotechnology company licensed the LentiVector gene delivery technology for research activities in a joint agreement with Sigma-Aldrich. Sigma-Aldrich is our strategic partner and exclusive licensee for the commercialisation of the LentiVector technology for research use. In addition, in March 2008, as part of a patent dispute settlement, Open Biosystems acquired certain rights for use of our LentiVector technology in research activities.

EXPANDING INTO THERAPEUTIC RNA INTERFERENCE

In January 2008, we signed a license agreement with the Carnegie Institution of Washington and the University of Massachusetts Medical School that grants Oxford BioMedica rights to key RNA interference (RNAi) technology invented by Nobel Prize-winning scientists Andrew Z. Fire, PhD, and Craig C. Mello, PhD. The licence is exclusive for therapeutic RNAi strategies using our LentiVector technology. RNAi represents a potential new strategy for treating diseases by gene silencing. We plan to develop LentiVector-based RNAi therapies independently, but also offer this technology to our existing LentiVector licensees and other industry players as part of our technology licensing activities.

MOLMED INITIATES PHASE III TRIAL

Also in January 2008, one of our partners, MolMed, received regulatory approval to start a Phase III trial of its TK therapy. The Phase III trial is being conducted in Italy in patients with high risk acute leukaemia who are receiving haematopoietic stem cell transplantation. The product is a cell/gene-based therapy that is designed to control the

complications of graft versus host disease associated with these transplantations. The product employs our *ex vivo* retroviral gene delivery technology. The start of this Phase III trial triggered a milestone payment to Oxford BioMedica under the terms of our agreement.

VIRAGEN STREAMLINES ITS RESEARCH

Another partner, Viragen, which licensed our LentiVector technology for the development of an avian transgenic biomanufacturing system, reported further progress with the technology and published results in a leading medical journal in January 2007. However, in June 2007, Viragen halted development as part of its efforts to cut costs and has subsequently sought bankruptcy protection. With the Roslin Institute, which was collaborating with Viragen on this programme, we are exploring alternative ways to advance and commercialise the avian transgenic technology.

EndoAngio-GT

Licence secured from Children's Hospital Boston to anti-angiogenic genes for cancer



Intellectual Property

KEY HIGHLIGHTS

- Acquisition of Oxxon Therapeutics adds immunotherapy IP
- Extended rights to anti-angiogenic genes for treatment of cancer
- Secured rights to therapeutic RNAi technology using LentiVector system

Our intellectual property estate is fundamental to our business to ensure that we control and protect our products in development and our technologies. In 2007, we bolstered our proprietary position in immunotherapy through the acquisition of Oxxon Therapeutics. At the end of 2007, our estate comprised 46 US and 20 European issued patents compared to 39 and 12, respectively, in the previous year. During 2007, we were granted five patents in the USA and five in Europe. We have a further 76 patents issued in other jurisdictions, with four of these being granted in 2007. In total, 198 patent applications are currently pending. Another 24 patent families, covering key technologies, are licensed from third parties.

In 2007 and early 2008, respectively, we announced two significant in-licensing deals of intellectual property. Firstly, we extended our rights to use two anti-angiogenic genes for the treatment of cancer. Secondly, we secured exclusive rights in the field of RNA interference for the development of therapeutics using our LentiVector technology. Furthermore, in March 2008, Oxford BioMedica, our partner, Sigma-Aldrich, and Open Biosystems settled a patent dispute over use of our LentiVector technology in research reagents.

OXXON ACQUISITION ADDS IMMUNOTHERAPY IP

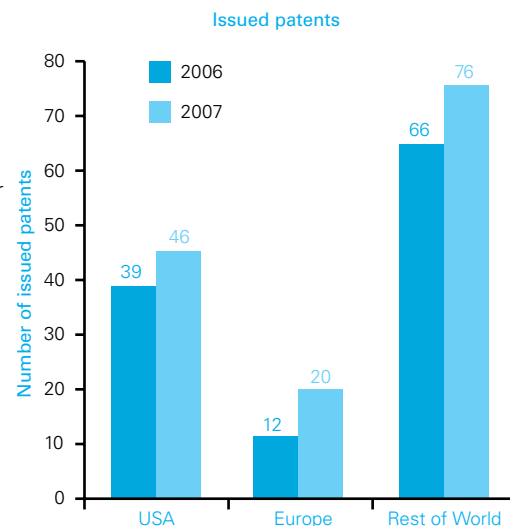
Our acquisition of Oxxon Therapeutics in March 2007 has added intellectual property in immunotherapy to our estate. Its Hi-8® PrimeBoost technology is a pioneering method for producing a potent and specific T-cell immune response against diseased cells. This platform has potential applications in developing prophylactic as well as therapeutic vaccines. Oxxon owned or had exclusively licensed a number of patent families covering the PrimeBoost technology and these patents and licences are now part of Oxford BioMedica's estate.

EXTENDED RIGHTS TO ANTI-ANGIOGENIC GENES

In July 2007, we signed a license agreement with Children's Hospital Boston to extend our existing rights for the anti-angiogenic genes, endostatin and angiostatin, for the treatment of cancer. This has enabled us to initiate a new anti-cancer development programme, EndoAngio-GT. We previously licensed rights to these genes solely for the treatment of ocular diseases, and the genes are being successfully employed in RetinoStat. We expect the development of EndoAngio-GT to benefit from synergies with RetinoStat.

NEW RIGHTS IN THERAPEUTIC RNA INTERFERENCE

In January 2008, (as described in Technology Licensing above) we licensed Nobel prize-winning RNA interference (RNAi) technology from the Carnegie Institution of Washington and the University of Massachusetts Medical School. This agreement provides exclusive rights to use our LentiVector technology for therapeutic RNAi applications. We plan to develop LentiVector-based RNAi therapies, both independently and through collaborations.



Financial Review

KEY HIGHLIGHTS

- Revenue £7.2 million (2006: £0.8 million)
- Research & development costs increased 13% to £22.1 million (2006: £19.5 million)
- Loss for the year decreased 13% to £15.3 million (2006: £17.6 million)
- Positive operational cash flow £5.9 million (2006: Cash burn £15.9 million)
- Year end cash, cash equivalents and current asset investments £38.1 million (2006: £28.5 million)

FINANCIAL OVERVIEW

The TroVax collaboration with sanofi-aventis has transformed the Group's finances. A total of £25.8 million cash was received in 2007 from sanofi-aventis. Of this amount, £7.0 million was recognised as revenue in 2007 and £18.8 million is classified as deferred income. In addition, the acquisition of Oxxon Therapeutics Limited (Oxxon) in March 2007 for £16.0 million, which was satisfied by Oxford BioMedica shares, brought with it cash and cash equivalents of £3.8 million. Overall, there was a net increase in cash, cash equivalents and current asset investments in the year of £9.6 million.

REVENUE £7,219,000 (2006: £760,000)

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Analysis of revenue					
TroVax and other 5T4-based collaborations	6,970	-	-	-	287
Gene delivery licences	249	516	679	192	-
LentiVector licence for transgenics	-	191	145	217	56
Other revenue	-	53	-	93	31
Total revenue	7,219	760	824	502	374

The TroVax collaboration with sanofi-aventis accounts for the majority of revenue in 2007. A total of £25.8 million cash was received in 2007, comprising an initial payment of £19.7 million (€29 million) on commencement in March 2007 and the first development milestone payment of £6.1 million (€9 million) in September 2007. Revenue from these payments is being recognised on a straight-line basis over the period to certain clinical events, which are anticipated in 2009 and 2010. £7.0 million was recognised as revenue in the 2007 income statement. The remaining £18.8 million is classified as deferred income.

Revenue from technology licensing in 2007 amounted to £0.2 million compared to £0.8 million in the previous year. Licences that provide access to our technology for research use generate minimal revenue but potentially facilitate collaborations for product development. Several leading pharmaceutical and biotechnology companies are using our LentiVector technology for research. During the year, Oxford BioMedica and our partner, Sigma-Aldrich, secured another major company as a research licensee to our LentiVector technology. Also in 2007, our collaboration with Viragen in the field of avian transgenics was terminated, as Viragen streamlined its expenditure, and therefore no revenue was recognised from this collaboration (2006: £0.2 million).

COST OF SALES £449,000 (2006: £80,000 INCLUDED IN OPERATING EXPENSES)

Cost of sales	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Royalty payable on third party licences	449	-	-	-	-

We have licensed a number of third-party technologies to expand our activities and to ensure that we have freedom to operate. Most licences include royalties payable on sales, and some include royalties payable on licensing income, including up-front and milestone income. In 2007, £0.4 million of royalties were recognised in cost of sales in the Group's income statement. The amounts of royalty payable on revenue in previous years were lower, and were included in operating expenses.

OPERATING EXPENSES £26,759,000 (2006: £22,222,000)

Operating expenses	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Research and development costs	22,142	19,523	9,327	9,013	10,773
Administration expenses excluding reorganisation	4,282	2,699	2,865	2,791	2,922
Exceptional administration expenses	335	-	-	1,568	-
Total operating expenses	26,759	22,222	12,192	13,372	13,695

Operating expenses increased by 20% in 2007 to £26.8 million, reflecting increased employee costs, the acquisition of Oxxon and higher legal and professional expenses associated with our patent estate and the licensing of TroVax.

RESEARCH & DEVELOPMENT COSTS £22,142,000 (2006: £19,523,000)

Research and development costs	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
External preclinical & clinical costs	11,833	11,153	1,730	1,961	2,386
In-house R&D costs UK	9,848	7,983	7,310	6,647	6,357
In-house R&D costs USA	461	387	287	405	2,030
Total research & development cost	22,142	19,523	9,327	9,013	10,773

R&D costs increased by 13% in 2007 to £22.1 million. Our R&D expenditure comprises in-house costs (staff, R&D consumables, intellectual property, facilities and depreciation of R&D assets) and external costs (preclinical studies, GMP manufacturing, regulatory affairs, and clinical trials). In 2007, as in 2006, external preclinical and clinical costs were the largest contributors to R&D spend. The year was also impacted by the addition of £0.3 million in R&D costs associated with Oxxon.

ADMINISTRATIVE EXPENSES £4,617,000 (2006: £2,699,000)

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Administrative expenses					
Administrative expenses before exceptional expenses	4,282	2,699	2,865	2,791	2,922
Exceptional administrative expenses	335	-	-	1,568	-
Total administrative expenses	4,617	2,699	2,865	4,359	2,922

Administrative expenses were £4.6 million, compared to £2.7 million in 2006. The increase was partly due to the acquisition of Oxxon and increased legal and professional costs. In 2007, there was a charge of £0.3 million for exceptional closure and reorganisation of Oxxon, and £0.1 million for non-exceptional administrative expenses during the close-down period. Legal and professional costs related to the collaboration with sanofi-aventis and other negotiations were £0.4 million.

HEADCOUNT

	2007	2006	2005	2004	2003
	Number	Number	Number	Number	Number
Analysis of headcount					
R&D headcount UK at period end	67	61	59	55	43
R&D headcount USA at period end	2	2	2	1	6
Administration headcount UK & USA at period end	13	10	10	10	12
Total headcount at period end	82	73	71	66	61
R&D headcount UK average	66	60	58	50	45
R&D headcount USA average	2	2	1	2	14
Administration headcount UK & USA average	12	10	10	10	13
Total headcount average	80	72	69	62	72

Average headcount increased by 11% in 2007. At the end of the year our total headcount was 82. The majority of our staff is based at our offices and laboratories, which are located at The Oxford Science Park, UK, and three employees are based at the offices of our wholly owned subsidiary, BioMedica Inc, in San Diego, USA.

FINANCE INCOME £2,087,000 (2006: £1,714,000)

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Finance income					
Interest receivable – bank	2,113	1,743	955	1,171	711
Other interest receivable	4	-	14	-	-
Interest payable – discount on provisions	(30)	(29)	(20)	(13)	-
Interest payable on overdue tax	-	-	(11)	-	-
Total net finance income	2,087	1,714	938	1,158	711
Average balance on deposit in the year	37,731	37,689	19,955	26,570	19,118
Average interest on deposits	5.58%	4.62%	4.77%	4.40%	3.62%

The Group places its cash in bank deposits for periods of up to 12 months and generates interest on those deposits. The maturity profile of deposits is intended to match planned patterns of expenditure. The average balance on deposit in 2007 was approximately the same as in 2006 at £37.7 million. However, due to higher interest rates in 2007, net interest receivable was up by 22%.

The Group has no debt, but is recognising as a finance expense the discount on a lease provision and a dilapidation provision.

TAXATION

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Tax credit					
UK R&D tax credit – current year	2,526	1,709	1,175	1,000	1,200
UK R&D tax credit – prior year adjustment	-	75	101	(115)	(3)
Overseas tax payable – current year	(60)	(38)	(43)	(1)	-
Overseas tax payable – prior year adjustment	(14)	16	(23)	-	-
Deferred tax	-	-	-	-	6
Net tax credit	2,452	1,762	1,210	884	1,203
Debtor for R&D tax credit	2,623	2,309	1,175	1,685	1,200

Our UK operating subsidiaries are entitled to claim R&D tax credit. The credit is based on certain eligible expenses, to which a 50% mark-up and a tax rate of 16% are applied. Under the prevailing rules, the R&D tax credit cannot exceed the total amount of UK payroll tax (Income Tax and National Insurance) paid in the year. In 2007, our R&D tax credit increased 48% to £2.5 million, due to higher employee benefit expenses during the year. The year-end debtor for R&D tax credit of £2.6 million represents the estimated tax credit for the current year, including £0.1 million that is attributable to Oxon in the period prior to our acquisition.

The Group's US subsidiary supplies services to the UK subsidiary subject to a 5% mark-up, generating a low level of taxable income in the US. The US tax charge has increased, largely due to reduced access to carry-forward losses.

LOSS FOR THE FINANCIAL YEAR £15,289,000 (2006: £17,626,000)

The Group's loss for the year narrowed to £15.3 million from £17.6 million despite higher operating expenses in 2007.

INTANGIBLE ASSETS £14,910,000 (2006: £1,665,000)

The Oxxon acquisition has resulted in a significant increase in intangible assets. The principal acquired intangibles were in-process research and development on the melanoma vaccine Hi-8 MEL, and the PrimeBoost patent portfolio. The fair value of these assets was £13.1 million. In addition, purchased intellectual property rights of £0.2 million were capitalised.

TRADE AND OTHER RECEIVABLES £4,672,000 (2006: £2,202,000)

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Trade and other receivables					
Trade receivables	91	241	119	162	-
Accrued income	34	223	93	-	-
Other receivables	1,129	765	676	619	374
Prepaid clinical trial expenses	969	-	-	-	-
Prepayments	1,917	603	442	499	442
Other tax receivable (VAT)	414	220	242	124	107
Rent deposit on US lease	118	150	205	214	263
Total trade and other receivables	4,672	2,202	1,777	1,618	1,186

Trade and other receivables (debtors) were £2.5 million higher in 2007 than in the previous year. The increase in other receivables is principally due to higher bank interest fixed-term deposits. Prepaid clinical trial expenses are materials for clinical trials not yet shipped to site, and advance payments to clinical sites.

TRADE AND OTHER PAYABLES £9,557,000 (2006: £4,671,000)

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Trade and other payables					
Trade payables	2,948	1,579	397	351	310
Accruals – clinical & preclinical costs	3,523	1,782	721	537	483
Accruals – other	2,668	995	694	553	513
Other taxation and social security (mostly payroll taxes)	418	315	263	219	195
Total trade and other payables	9,557	4,671	2,075	1,660	1,501

There was an increase in trade and other payables (creditors) in 2007 to £9.6 million from £4.7 million in the previous year. This increase was principally associated with our expanded clinical development activities.

DEFERRED INCOME £18,913,000 (2006: £92,000)

	2007	2006	2005	2004	2003
	£'000	£'000	£'000	£'000	£'000
Deferred income					
TroVax deferred income (current)	11,440	-	-	-	-
Other deferred income (current)	90	92	105	81	-
TroVax deferred income (non-current)	7,383	--	-	--	-
Total deferred income	18,913	92	105	81	-

The Group's deferred revenue at the end 2007 was boosted to £18.9 million. Deferred revenue reflects payments received under our licensing agreements that exceed the amount of recognised revenue. Receipts in 2007 from the TroVax collaboration with sanofi-aventis are being recognised as revenue over a two to three-year period. The amount expected to be recognised as revenue in 2008 is £11.4 million.

SHARE ISSUES

At the end of 2007, the Group had 534,655,843 shares in issue. During the year, shares issued for cash raised £0.3 million before expenses from the exercise of share options and other subscriptions. A total of 31,771,246 shares with a value of £16.0 million were issued in the acquisition of Oxxon.

CASH AND DEPOSITS £38,147,000 (2006: £28,543,000)

The total of cash, cash equivalents and current asset investments at the end of 2007 was £38.1 million, compared to £28.5 million in the previous year.

OPERATIONAL CASH GENERATED £5,883,000 (2006: CASH BURN £15,876,000)

The format of the cash flow statement under IFRS does not make it easy to assess the overall level of operational cash flows that have traditionally been a key performance indicator for development-stage biotechnology companies. However, a useful measure can be calculated by taking the aggregate of cash from operating activities, proceeds of sale of property, plant and equipment and purchases of property, plant and equipment and intangible assets. On this measure, there was a positive operational cash flow of £5.9 million in 2007, in contrast to a (negative) cash burn in 2006 of £15.9 million. The key difference in 2007 was the receipt of £25.8 million from sanofi-aventis. In addition, cash and cash equivalents of £3.8 million were acquired with Oxxon.

FINANCIAL OUTLOOK

In 2007, we conducted a strategic review of our development pipeline to enable us to focus investment on opportunities that could generate the greatest value. The present level of operational expenses is expected to be maintained through 2008 based on our current and planned development activities. We reached the second development milestone in our agreement with sanofi-aventis in February 2008, which triggered a payment of €10 million. We will continue to monitor the investment requirements for each of our programmes and will expand our internal operations as required to meet our objectives. Our financial goal is to be profitable within 12 months of registration of our first product, which could be in 2009 following a successful outcome from the Phase III TRIST study of TroVax in renal cancer.

Outlook

With a focused strategy and a strong financial position, we are well placed to deliver on our objectives for 2008. We are delighted to have recently triggered a further development milestone payment in our collaboration with sanofi-aventis, following the third successful review of the Phase III TRIST study by the DSMB. We expect shortly to complete recruitment for this trial. Over the next few years, sanofi-aventis is planning a significant investment in the TroVax programme. Our key goals for TroVax in 2008 include continued management of the TRIST study in renal cancer, and support for sanofi-aventis as it broadens the Phase III programme into colorectal cancer and prepares for the commercialisation of the product.

ProSavin, our novel treatment for Parkinson's disease is potentially the next blockbuster opportunity in our pipeline. The Phase I/II trial is underway and we aim to report preliminary safety and efficacy data from the study during this year. Also in 2008, we aim take RetinoStat towards clinical development in wet AMD.

As part of our strategy, we will continue to pursue collaboration opportunities for certain programmes. In 2008, we intend to move forward with our collaboration discussions for MetXia and its associated GDEPT technology for localised cancer therapy. Also, having secured a proprietary position in the field of therapeutic RNA interference, we plan to explore partnering opportunities that could provide additional near-term revenue.

In summary, we are looking forward to an exciting period for Oxford BioMedica, which could see both TroVax and ProSavin reach key inflexion points in their development. Both products address large markets and potentially provide patients with new safe and effective treatment options. Hence, in our view, both products present substantial value propositions.

TroVax

First successful DSMB review of Phase III TRIST study in renal cancer



