



"EXPENDITURE HAS BEEN FOCUSED ON THE LEAD DEVELOPMENT PROGRAMMES IN ONCOLOGY AND NEUROTHERAPY"

Oxford BioMedica reported a reduction in its loss before tax in 2004, which was better than anticipated, and within budget. The lower loss reflects higher revenue from technology licensing and continued tight control over spending. The restructuring of US operations and rationalisation of discovery research, announced in 2003, was completed in early 2004.

Expenditure has been focused on the lead development programmes in oncology and neurotherapy, particularly the expanded clinical trials programme for TroVax and the scale-up of manufacture for both TroVax and ProSavin. The group headcount increased to 66 employees at 31 December 2004 from 61 at the end of 2003. This increase relates, primarily, to additional operational requirements in manufacturing and clinical development.

Fees from four technology licensing deals, that were signed during the year with Merck & Co, Viragen, MolMed and Biogen Idec respectively, bolstered revenue in 2004. These agreements are expected to generate recurring revenue from annual maintenance payments and, in the case of Viragen and MolMed, there is the potential for additional income and royalties on commercialisation. Since the year end, on 1 February 2005, a further research license with a leading biopharmaceutical company was secured for the LentiVector technology.

The cash outflow for 2004 was essentially static from the previous year at £9.7 million (2003: £9.6 million), and cash and short term investments at 31 December 2004 were £22.4 million compared to £31.8 million at the end of 2003. The company

anticipates that current cash resources are sufficient to support the development activities into 2007, before taking account of additional income from potential new collaborations and licensing agreements.

## REVENUE

The company reported an increase in revenue of 34 per cent to £0.5 million for the year ended 31 December 2004 (2003: £0.4 million). Although the absolute figure is not substantial relative to the company's cost base, it reflects a growing and sustainable income stream from technology licensing. Reported revenue included the initial payment under the agreement with Viragen, and a proportion of the first-year payments from Merck & Co, MolMed and Biogen Idec.

## OPERATING EXPENSES AND INCOME

Operating expenses in 2004 were essentially unchanged at £13.5 million (2003: £13.7 million). As in previous years, operating expenses were largely related to research and development, where the mix continues to shift towards late stage preclinical and clinical development. Research and development expenses were lower at £9.2 million (2003: £10.8 million). UK research and development costs were £0.4 million higher than last year, due to increased investment in process development, but as a result of restructuring savings, US research and development costs were £2.0 million lower. Administration costs in 2004, excluding exceptional expenses, were £2.8 million (2003: £2.9 million).

Included in operating expenses was an exceptional charge of £1.6 million (2003: nil). This was related to restructuring the US operations, comprising headcount reductions and relocation to smaller premises in San Diego. The reorganisation was completed in early 2004 and has resulted in an estimated annual cost saving in excess of £1 million. The cash outflow attributable to the exceptional item in 2004, net of the proceeds of sale of fixed assets, was £0.4 million.

Operating income from grants in 2004 was lower than the previous year at £0.4 million. Grant income of £0.7 million in 2003 included arrears from 2002 for two grant programmes.

## OPERATING RESULTS

Before the exceptional item, the operating loss in 2004 narrowed to £11.1 million (2003: £12.7 million). After the exceptional item, the operating loss was the same as the previous year at £12.7 million.

## INTEREST

Net interest receivable was £1.2 million in 2004 (2003: £0.7 million). The increase was a result of higher average cash and short term investment balances during the year, together with better rates of interest. The average return on cash balances throughout the year increased to 4.4 per cent in 2004 from 3.6 per cent in 2003.

## RESULTS BEFORE TAX

The loss before tax in 2004 narrowed to £11.5 million (2003: £11.9 million). This position was consistent with the increased technology licensing revenue,

the restructuring savings and the focus of expenditure on the lead development programmes during 2004.

## TAXATION

Taxation for 2004 amounted to a credit of £0.9 million. The figure comprises, principally, the UK research and development tax credit, which was £1.0 million in 2004, less an adjustment to previous years' claims of £0.1 million (2003 tax credit: £1.2 million). This credit is an incentive designed to support the group's investment in product and technology development.

## LIQUIDITY AND CAPITAL RESOURCES

Cash and short term investments at 31 December 2004 were £22.4 million (2003: £31.8 million). The net cash outflow before management of liquid resources and financing in 2004 was essentially static from the previous year at £9.7 million (2003: £9.6 million).

The fixed asset base at the end of 2004 was lower at £1.3 million (2003: £2.5 million), owing largely to the disposal of laboratory equipment and write-down of other assets at the US facility as part of the restructuring. Debtors increased to £3.3 million (2003: £2.4 million), of which £1.7 million (2003: £1.2 million) was research and development tax credit. Creditors of £1.7 million (2003: £1.5 million) comprised principally accruals and deferred income.

## ISSUE OF SHARES

A total of 1.8 million shares were issued in 2004, raising £0.3 million. 1.1 million shares were issued on the exercise of share options, and 0.7 million shares were issued in connection with the acquisition of patent rights.

## FINANCIAL OUTLOOK

The company's financial position remains strong with year end cash and short term investments of £22.4 million. Internal financial projections, before taking account of revenue from new product licensing agreements, indicate that by maintaining tight control on expenditure, current cash resources should be sufficient until 2007.

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