

Directors' remuneration report

Only paragraphs marked with '*' within this report have been audited.

The Remuneration Committee comprises two Non-Executive Directors: Dr Peter Johnson (Chairman) and Nick Rodgers. Up to 13 March 2006, Raj Uppal was also a member. Provision B.2.1 of the Combined Code requires the Remuneration Committee of a small company to have at least two members, both of whom are independent Non-Executive Directors. The Board considers this requirement to have been met, even though Dr Peter Johnson is also Chairman of the Company. The Remuneration Committee determines, on behalf of the Board, the Company's policy for executive remuneration and the individual remuneration packages for the Executive Directors including awards under the Long Term Incentive Plan. At the Committee's invitation or request, the Chief Executive Officer and other Directors may be in attendance at the meetings of the Remuneration Committee. The Committee has access to professional advice, both inside and outside the Company as required. In 2006, the Committee received advice on remuneration and incentive arrangements from Halliwell Consulting, a specialist executive compensation and share scheme consultancy.

REMUNERATION POLICY

The Company's policy on remuneration is to attract, retain and incentivise the best staff in a manner consistent with the goals of corporate governance. In setting the Company's remuneration policy, the Remuneration Committee considers a number of factors, including the basic salaries and benefits available to executive directors of comparable companies.

REMUNERATION OF EXECUTIVE DIRECTORS

Consistent with this policy, the Company's remuneration packages awarded to Executive Directors are intended to be competitive and comprise a mix of performance-related and non-performance-related elements. There is a discretionary bonus scheme for Executive Directors, subject to the achievement of agreed goals and targets, that is designed to incentivise them to perform at the highest levels and to align their interests with those of the shareholders. In 2006, 75% of the performance-linked remuneration was assessed on overall measures of Company performance. This was a change from previous years, when the percentage assessed on overall measures of Company performance had been 20%. The measures of Company performance included commercial and clinical milestones for TroVax, regulatory and technical milestones for ProSavin and preclinical milestones for RetinoStat. The balance of performance-linked remuneration was based on individual job-specific assessments. The performance-linked remuneration of the Chief Executive Officer is determined by the average of the assessments for the other Executive Directors and certain senior staff. The targeted composition of each Director's remuneration is as follows:

	Performance related
Professor Alan Kingsman	Up to 45% of base salary
Professor Susan Kingsman	Up to 30% of base salary
Dr Michael McDonald	Up to 30% of base salary
Peter Nolan	Up to 30% of base salary
Andrew Wood	Up to 30% of base salary
Nick Woolf	Up to 30% of base salary

In 2006, bonuses of between 21 per cent and 35 per cent of base salary (which excluded car allowance) were paid to the Executive Directors.

Benefits, detailed in the table of Directors' emoluments, comprise healthcare insurance only.

The Company makes contributions to defined contribution personal pension schemes for the Executive Directors.

It is the Group's policy to award share options to employees, and in the past this policy has included Executive Directors and the Chairman, as a reward for past performance. The exercise price for these share options is the average mid-market price of the Company's ordinary shares for the three trading days prior to the date of grant. Details of all share options outstanding at 31 December 2006 are given in note 18 to the financial statements. Full details of Directors' share options are on page 48. The share options held by Executive Directors at 31 December 2006 are subject to the rules of the Oxford BioMedica 1996 (No.1) Share Option Scheme. These options become

exercisable three years from the date of grant, and cease to be exercisable seven years from the date of grant. Under the scheme rules, the total value of options held by a Director (the exercise price multiplied by the number of options) may not exceed four times the amount of the Director's annual emoluments, excluding benefits in kind. The award of share options is at the discretion of the Remuneration Committee. Share options granted to Directors since April 2001 have been subject to a performance-based condition. Options granted prior to April 2001 were not subject to a performance-based condition, consistent with market practice at the time.

Having taken advice within the Company and externally, and after consultation with principal shareholders, a set of new share based incentives have been introduced to replace the Oxford BioMedica 1996 (No.1) Share Option Scheme, which expired in October 2006. These comprise a Long Term Incentive Plan (LTIP) for Executive Directors and senior executives, a Share Option Scheme for other employees and an all-employee Share Incentive Plan (SIP). These schemes were approved by shareholders at an Extraordinary General Meeting on 1 February 2007. The main features of the LTIP and SIP are described below.

Long Term Incentive Plan

Awards under the LTIP may be conditional shares or nil-cost options, the release of which will depend on the completion of a holding period of at least three years and the satisfaction of performance conditions. It is the intention of the Remuneration Committee to have one main performance condition attached to share awards granted under the LTIP, which is comparative Total Shareholder Return measured against the following comparator group of companies:

Acambis plc; Alizyme plc; Allergy Therapeutics plc; Antisoma plc; Ardana plc; Ark Therapeutics Group plc; Axis-Shield plc; Biocompatibles International plc; BioProgress plc; BTG plc; Corin Group plc; Dechra Pharmaceuticals plc; Goldshield Group plc; Innovata plc; Isotron plc; Optos plc; ProStrakan Group plc; Proteome Sciences plc; Protherics plc; SkyePharma plc; VASTox plc.

No awards will be released for less than median performance at the testing date. Median performance will result in release of 25% of the shares. Upper quartile performance (i.e. greater than 75th percentile performance) will result in release of 100% of the shares, with straight line release between these points. If the performance conditions are not satisfied or partially satisfied at the end of the holding period, the LTIP award or the balance of the award (as appropriate) not released shall lapse. There will be no re-testing of the performance conditions.

No awards have yet been made under the LTIP. The Committee intends that, subsequent to the initial award, annual awards to Executive Directors will not normally exceed 100% of salary. However, for a number of reasons, including the Company's decision not to award share options in 2006 to all but one Director under the previous share option scheme, the initial award is to be set at 150% of salary.

Share Incentive Plan

The SIP will be available to all employees of the Group in the United Kingdom (including Executive Directors) and will provide either outright awards of Free Shares, or Matching Shares where an employee agrees to buy a certain number of Partnership Shares.

Awards of Free Shares and Matching Shares will be subject to a period of retention not less than three years or greater than five years. If an employee leaves the Group prior to the release of Free Shares or Matching Shares then those Shares will normally be subject to forfeiture unless the Remuneration Committee determines otherwise.

The numbers of shares subject to the SIP shall not exceed the statutory maxima for HMRC approved share incentive plans. These are currently £3,000 per annum aggregate market value per employee of Free Shares, £1,500 per annum or 10% of salary for Partnership Shares acquired from pre-tax salary, and not more than two Matching Shares for every Partnership Share acquired.

The Company may issue up to 10% of its shares within a ten year period to satisfy awards to participants in the LTIP and any other share plan operated by the Company under which shares are issued.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The fees paid to the Chairman and Non-Executive Directors are determined by the Board. Non-Executive Directors do not receive pension contributions or a bonus. Generally, Non-Executive Directors do not participate in the Company's share option schemes. However, following his appointment as Chairman in 2001, Dr Peter Johnson was awarded 200,000 share options (increased by 5.55% in October 2003 following a rights issue). These options do not comply fully with requirements subsequently introduced by provision B.1.3 of the Combined Code requiring shareholder approval and a period of retention for shares acquired on the exercise of share options. The Company does not consider it appropriate to revise the terms of this share option retrospectively.

The Chairman and other Non-Executive Directors have appointments that are for three years unless terminated by three months' written notice by either party. Non-Executive Directors' appointments may be renewed by mutual agreement. As recommended by Combined Code provision A.7.2, any term beyond six years for a Non-Executive Director is subject to considered review by the Board. The Company's policy on renewal after six years is to extend appointments by one year at a time.

Mark Berninger has now served eight years as a Non-Executive Director. On 2 February 2006 his appointment was extended for one year, and on 30 January 2007 a further one-year extension, commencing 12 February 2007, was agreed.

Dr Peter Johnson has served on the board for seven years, the last six as Non-Executive Chairman. On 25 July 2006, the seventh anniversary of his initial appointment to the Board as a Non-Executive Director, his appointment was extended for a further year.

On 2 March 2007 Nick Rodgers' appointment was renewed for a further three years.

DIRECTORS' SERVICE CONTRACTS

It is Oxford BioMedica plc's policy that Directors' service contracts should be no more than three years in duration, that they should have notice periods of not more than one year and that the contractual termination payments should not exceed the Director's current salary, benefits and bonus entitlement for the notice period.

The details of service contracts of those who served as Directors during the year are:

	Contract date	Unexpired term at 31 December 2006	Notice period	Contractual termination payments
Mark Berninger	2 February 2006	2 months	3 months	Notice period only
Dr Peter Johnson	25 July 2006	7 months	3 months	Notice period only
Professor Alan Kingsman	2 January 2001	nil ¹	12 months	Notice period only
Professor Susan Kingsman	2 January 2001	nil ¹	12 months	Notice period only
Dr Michael McDonald	2 February 2006	1 month ¹	12 months	Notice period only
Peter Nolan	1 May 2002	nil ¹	12 months	Notice period only
Nick Rodgers	2 March 2004	2 months	3 months	Notice period only
Raj Uppal	12 February 2004	Resigned		
Andrew Wood	31 October 1996	nil ¹	12 months	Notice period only
Nick Woolf	3 March 2005	nil ¹	12 months	Notice period only

¹ Executive Directors' contracts are for an initial term of 12 months and thereafter are subject to 12 months notice.

DIRECTORS' REMUNERATION *

Details of individual Directors' emoluments for the year are as follows:

Name of Director	Salary and fees £	Bonus £	Benefits £	2006 total emoluments £	2006 pension £	2005 total emoluments £	2005 pension £
Executive							
Professor Alan Kingsman	211,320	65,457	1,389	278,166	18,953	274,732	18,050
Professor Susan Kingsman	173,154	36,106	1,389	210,649	15,530	194,374	14,790
Dr Michael McDonald ¹	185,930	38,770	1,723	226,423	16,675	–	–
Peter Nolan	157,429	30,286	2,246	189,961	14,119	180,086	13,320
Andrew Wood	196,686	41,013	1,894	239,593	17,640	232,626	16,800
Nick Woolf	157,193	32,778	1,424	191,395	14,098	146,843	11,083
Non-Executive							
Mark Berninger ^{2,3}	23,489	–	–	23,489	–	25,831	–
Dr Peter Johnson ²	57,028	–	–	57,028	–	54,312	–
Nick Rodgers ²	37,538	–	–	37,538	–	40,550	–
Raj Uppal ⁴	6,393	–	–	6,393	–	30,250	–
	1,206,160	244,410	10,065	1,460,635	97,015	1,179,604	74,043

¹ Dr Michael McDonald was appointed to the Board on 2 February 2006. Remuneration in this table relates to the period from February to December 2006.

² These amounts represent amounts payable to third parties for the services of Non-Executive Directors.

³ In 2004 Oxford BioMedica (UK) Limited entered into a consultancy agreement with Mark Berninger in connection with the Group's licensing strategy for the LentiVector technology. In addition to the Directors' fees above, a total of £6,329 (2005: £22,387) was paid in consultancy fees.

⁴ Raj Uppal resigned on 13 March 2006.

Retirement benefits are accruing to six Directors (2005: five) under Oxford BioMedica (UK) Limited's money purchase pension schemes.

DIRECTORS' INTERESTS

Interest in Shares

The interests of the Directors in the shares of the Company at 31 December 2006, together with their interests at 1 January 2006, were as follows:

	Number of ordinary shares	
	31 December 2006	1 January 2006
The Company - ordinary shares of 1p each		
Dr Peter Johnson	154,000	154,000
Professor Alan Kingsman ¹	8,603,451	8,603,451
Professor Susan Kingsman ¹	8,739,139	8,739,139
Peter Nolan	163,638	149,738
Nick Rodgers	42,000	22,000
Andrew Wood	205,067	198,022
Nick Woolf	165,000	165,000

¹ Includes 210,000 (1 January 2006: 210,000) ordinary shares held jointly by Professor Alan Kingsman and Professor Susan Kingsman and 100,000 ordinary shares (1 January 2006: 100,000) held by the son of Professor Alan Kingsman and Professor Susan Kingsman.

² Mark Berninger did not have any interest in the Company's shares at 1 January or 31 December 2006.

³ Dr Michael McDonald did not have any interest in the Company's shares at 2 February (date of appointment) or 31 December 2006.

Interests in Share Options *

The interests of the Directors in options over the ordinary shares of the Company were as follows:

Options over ordinary shares of 1p each								
	1 January 2006 ¹	Granted	Exercised	Lapsed	31 December 2006	Exercise price	Date from which exercisable	Expiry date
Dr Peter Johnson	211,100	-	-	-	211,100	53.0p	17.04.04	17.04.08
Prof Alan Kingsman ²	180,000	-	-	-	180,000	19.25p	27.10.06	27.10.10
Prof Alan Kingsman ²	190,000	-	-	-	190,000	20.5p	12.10.07	12.10.11
Prof Alan Kingsman ²	208,000	-	-	-	208,000	29.0p	15.12.08	15.12.12
	578,000	-	-	-	578,000			
Prof Susan Kingsman ²	150,000	-	-	-	150,000	19.25p	27.10.06	27.10.10
Prof Susan Kingsman ²	155,000	-	-	-	155,000	20.5p	12.10.07	12.10.11
Prof Susan Kingsman ²	170,000	-	-	-	170,000	29.0p	15.12.08	15.12.12
	475,000	-	-	-	475,000			
Dr Michael McDonald	379,500	-	-	-	379,500	42.75p	27.09.08	27.09.12
Dr Michael McDonald	759,000	-	-	-	759,000	29.0p	15.12.08	15.12.12
Dr Michael McDonald ²	-	209,000	-	-	209,000	31.0p	06.09.09	06.09.13
	1,138,500	209,000	-	-	1,347,500			
Peter Nolan	162,162	-	(162,162)	-	-	21.0p	01.04.02	01.04.06
Peter Nolan	162,162	-	(162,162)	-	-	21.0p	17.08.02	17.08.06
Peter Nolan	68,497	-	-	-	68,497	60.0p	05.04.03	05.04.07
Peter Nolan	65,207	-	-	-	65,207	72.0p	27.09.03	27.09.07
Peter Nolan ²	132,000	-	-	-	132,000	19.25p	27.10.06	27.10.10
Peter Nolan ²	140,000	-	-	-	140,000	20.5p	12.10.07	12.10.11
Peter Nolan ²	153,000	-	-	-	153,000	29.0p	15.12.08	15.12.12
	883,028	-	(324,324)	-	558,704			
Andrew Wood	560,433	-	(560,433)	-	-	21.0p	01.04.02	01.04.06
Andrew Wood	82,197	-	(82,197)	-	-	21.0p	17.08.02	17.08.06
Andrew Wood	59,779	-	-	-	59,779	79.0p	22.03.03	22.03.07
Andrew Wood	21,482	-	-	-	21,482	72.0p	27.09.03	27.09.07
Andrew Wood ²	167,000	-	-	-	167,000	19.25p	27.10.06	27.10.10
Andrew Wood ²	175,000	-	-	-	175,000	20.5p	12.10.07	12.10.11
Andrew Wood ²	193,000	-	-	-	193,000	29.0p	15.12.08	15.12.12
Andrew Wood ³	-	172,531	-	-	172,531	29.0p	21.03.09	21.03.13
Andrew Wood ³	-	172,531	-	-	172,531	31.0p	06.09.09	06.09.13
	1,258,891	351,062	(642,630)	-	967,323			
Nick Woolf	801,124	-	-	-	801,124	8.75p	16.09.05	16.09.09
Nick Woolf	132,000	-	-	-	132,000	19.25p	27.10.06	27.10.10
Nick Woolf ²	153,000	-	-	-	153,000	29.0p	15.12.08	15.12.12
	1,086,124	-	-	-	1,086,124			

¹ Or date of appointment if later.

² A performance-based condition applies to these options. The options are exercisable only if at the time of exercise, or for a period of at least 12 months in aggregate in the three years before exercise, the percentage increase in Oxford BioMedica plc's total shareholder return since the grant of the option exceeds the percentage increase in the FTSE techMARK mediscience index. This target was chosen because the Directors believe that the FTSE techMARK mediscience index should be a benchmark that reflects the factors bearing on the UK biotechnology sector.

³ As part of a wider award of share options to employees of Oxford BioMedica (UK) Limited, these options were awarded to Sharon Wood, wife of Andrew Wood, who is a Group employee.

The notional gains (market price at exercise less exercise price) for the share options exercised in 2006 by Peter Nolan and Andrew Wood are set out below. Had the options not been exercised in 2006 they would have lapsed. The shares allotted on exercise of share options on 15 March 2006 were sold immediately. On 5 July 2006 sufficient shares were sold to fund the exercise price and tax arising on the options, with the remaining shares being retained.

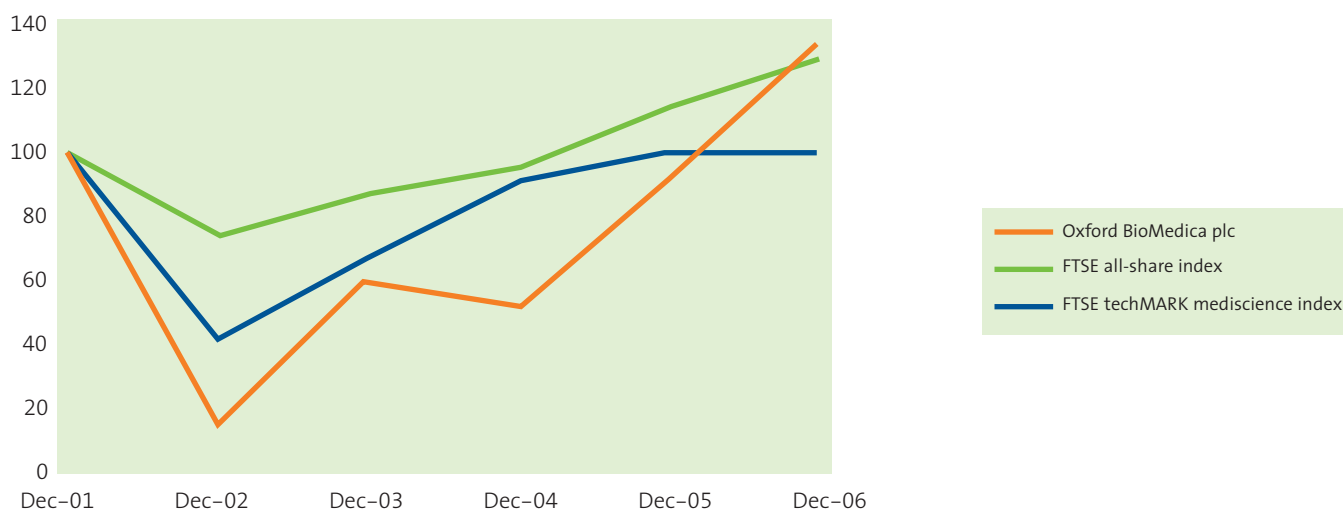
	Expiry date	Date of exercise	Number of shares	Market price	Exercise price	Notional profit
Peter Nolan	01.04.06	15.03.06	162,162	£0.289	£0.21	£12,784
Peter Nolan	17.08.06	05.07.06	162,162	£0.244	£0.21	£5,516
			324,324			£18,300
Andrew Wood	01.04.06	15.03.06	560,433	£0.289	£0.21	£44,184
Andrew Wood	17.08.06	05.07.06	82,197	£0.244	£0.21	£2,796
			642,630			£46,980
Total			966,954			£65,280

The market value of ordinary shares as at 29 December 2006 was 41.75p (30 December 2005: 29.5p). The market value of ordinary shares during the year ranged from 20.0p to 42.0p.

Except as detailed above, no Directors had interests in shares or share options of the Company or any other Group company at 31 December 2006. There have been no changes in the interests of the Directors in ordinary shares of the Company between 31 December 2006 and the date of this report.

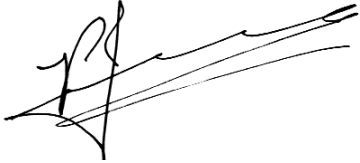
COMPARISON OF FIVE YEAR TOTAL SHAREHOLDER RETURN

The chart shows the value at the end of each year of £100 invested on 31 December 2001 in Oxford BioMedica 1p ordinary shares, taking account of the rights issue in 2003, compared to the change in the FTSE all-share index and the FTSE techMARK mediscience index over the same period. As previously reported, the Company's share price has followed the broad market trends shown by the benchmark indices, but has shown significantly greater volatility. Markets fell in 2002, and the market was particularly harsh for Oxford BioMedica, which fell by over 80% in that year. However, in the generally rising market from 2003, Oxford BioMedica rose dramatically, to a point at the end of 2006 where it had recovered its early losses, to outperform the FTSE all-share index by 3% and the FTSE techMARK mediscience index by 31% over the five-year period. The Directors consider that this volatility is not unique to Oxford BioMedica, but is a feature shared by many high-tech companies whose valuations are significantly influenced by investor sentiment and attitude to risk.



To further illustrate the volatility, over 2006 as a whole, the Company's share price rose by 42%, having been at one point 32% down on the 2005 closing price. The benchmark all-share index rose by 13% over 2006, while the techMARK index ended 0.2% down for the year.

In the opinion of the Directors, the FTSE all-share index should be a reasonable index against which the total shareholder return of Oxford BioMedica plc may be measured over a five-year term, because it represents a broad-based, objective measure of investment return. The FTSE techMARK mediscience index, made up of emerging healthcare companies in the early stages of growth, provides a benchmark that should better reflect the factors bearing on the UK biotechnology sector. Until April 2001 the Company's shares were traded on the Alternative Investment Market of the London Stock Exchange. Since April 2001 they have been included in the UK Listing Authority Official List.

A handwritten signature in black ink, appearing to be 'P. Johnson', written over a set of horizontal lines.

Dr Peter Johnson
Chairman of the Remuneration Committee