

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
Revenue	1	760	824
Research and development costs		(19,523)	(9,327)
Administrative expenses		(2,699)	(2,865)
Other operating income: grants receivable		360	135
Operating loss		(21,102)	(11,233)
Interest payable and similar charges	3	(29)	(31)
Interest receivable	3	1,743	969
Loss before tax	1,4	(19,388)	(10,295)
Taxation	5	1,762	1,210
Loss for the financial year	21	(17,626)	(9,085)
Basic loss and diluted loss per ordinary share	6	(3.5p)	(2.4p)

The results for the years above are derived entirely from continuing operations.

There is no difference between the loss before tax and the loss for the years stated above, and their historical cost equivalents.

Balance sheets

AT 31 DECEMBER 2006

	Notes	Group		Company	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
Assets					
Non-current assets					
Intangible assets	8	1,665	1,641	-	-
Property, plant and equipment	9	819	831	-	-
Financial assets: Investments in subsidiaries	10	-	-	102,469	101,535
		2,484	2,472	102,469	101,535
Current assets					
Trade and other receivables	11	2,202	1,777	50	23
Current tax assets		2,309	1,175	-	-
Financial assets: Available for sale investments	12	20,500	23,500	-	-
Cash and cash equivalents	12	8,043	20,317	-	1
		33,054	46,769	50	24
Current liabilities					
Trade and other payables	13	4,763	2,180	62	55
Current tax liabilities		-	1	-	-
Provisions	14	58	67	-	-
		4,821	2,248	62	55
Net current assets/(liabilities)		28,233	44,521	(12)	(31)
Non-current liabilities					
Provisions	14	627	393	-	-
Net assets		30,090	46,600	102,457	101,504
Shareholders' equity					
Ordinary shares	17	5,014	4,984	5,014	4,984
Share premium	20	106,732	106,097	106,732	106,097
Other reserves	22	84	84	857	406
Retained losses	21	(81,740)	(64,565)	(10,146)	(9,983)
Total equity		30,090	46,600	102,457	101,504

The financial statements on pages 53 to 75 were approved by the Board of Directors on 5 March 2007 and were signed on its behalf by:

Professor A J Kingsman
Chief Executive Officer

Cash flow statements

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Group		Company	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
Cash used in operating activities					
Cash used in operations	23	(17,726)	(10,074)	(147)	(321)
Interest received		1,440	1,040	-	11
Interest paid		-	(11)	-	-
Tax credit received		650	1,786	-	-
Overseas tax paid		(25)	(65)	-	-
Net cash used in operating activities		(15,661)	(7,324)	(147)	(310)
Cash flows from investing activities					
Loan to subsidiary		-	-	(483)	(28,732)
Proceeds from sale of property, plant and equipment		1	-	-	-
Purchases of property, plant and equipment		(192)	(327)	-	-
Purchases of intangible assets		(24)	(14)	-	-
Net maturity/(purchase of) of available for sale investments		3,000	(6,000)	-	-
Net cash generated by/(used in) investing activities		2,785	(6,341)	(483)	(28,732)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		629	29,043	629	29,043
Effects of exchange rate changes		(27)	22	-	-
Net (decrease)/increase in cash and cash equivalents		(12,274)	15,400	(1)	1
Cash and cash equivalents at 1 January		20,317	4,917	1	-
Cash and cash equivalents at 31 December	12	8,043	20,317	-	1

Statement of changes in shareholders' equity

Group	Notes	Share capital £'000	Share premium £'000	Translation reserve £'000	Merger reserve £'000	Retained losses £'000	Total £'000
At 1 January 2005		3,721	78,309	(623)	711	(55,739)	26,379
Exchange adjustments		-	-	(4)	-	-	(4)
Loss for the year		-	-	-	-	(9,085)	(9,085)
Share options							
Proceeds from shares issued	17, 20	60	978	-	-	-	1,038
Value of employee services	19	-	-	-	-	259	259
Issue of shares excl. options	17, 20	1,203	28,879	-	-	-	30,082
Costs of share issues	20	-	(2,069)	-	-	-	(2,069)
At 31 December 2005		4,984	106,097	(627)	711	(64,565)	46,600
Exchange adjustments		-	-	-	-	-	-
Loss for the year		-	-	-	-	(17,626)	(17,626)
Share options							
Proceeds from shares issued	17, 20	25	441	-	-	-	466
Value of employee services	19	-	-	-	-	451	451
Issue of shares excl. options	17, 20	5	155	-	-	-	160
Refund in respect of share issue costs	20	-	39	-	-	-	39
At 31 December 2006		5,014	106,732	(627)	711	(81,740)	30,090

Company	Notes	Share capital £'000	Share premium £'000	Other reserve £'000	Retained losses £'000	Total £'000
At 1 January 2005		3,721	78,309	147	(9,667)	72,510
Loss for the year		-	-	-	(316)	(316)
Share options:						
Proceeds from shares issued	17, 20	60	978	-	-	1,038
Credit in relation to employee share schemes	22	-	-	259	-	259
Issue of shares excluding options	17, 20	1,203	28,879	-	-	30,082
Costs of share issues	20	-	(2,069)	-	-	(2,069)
At 31 December 2005		4,984	106,097	406	(9,983)	101,504
Loss for the year		-	-	-	(163)	(163)
Share options:						
Proceeds from shares issued	17, 20	25	441	-	-	466
Credit in relation to employee share schemes	22	-	-	451	-	451
Issue of shares excluding options	17, 20	5	155	-	-	160
Refund in respect of share issue costs	20	-	39	-	-	39
At 31 December 2006		5,014	106,732	857	(10,146)	102,457

Accounting policies

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2006

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations endorsed by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements are prepared in accordance with the historical cost convention as modified by revaluation of available for sale investments.

(a) Standards Adopted Early By The Group

IFRS 7, 'Financial instruments: disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', were adopted in 2006. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

(b) Standards, Amendments And Interpretations Effective In 2006 But Not Relevant

IAS 19 (Amendment), Employee benefits;
 IAS 21(Amendment), Net investment in a foreign operation;
 IAS 39 (Amendment), Cash flow hedge accounting of forecast intragroup transactions;
 IAS 39 (Amendment), The fair value option;
 IAS 39 & IFRS 4 (Amendment), Financial guarantee contracts;
 IFRS 1 (Amendment), First-time adoption of international financial reporting standards;
 IFRS6 (Amendment), exploration for the evaluation of mineral resources;
 IFRIC 4, Determining whether an arrangement contains a lease;
 IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds; and
 IFRIC 6, Liabilities arising from participating in a specific market - Waste electrical and electronic equipment.

(c) Interpretations To Existing Standards That Are Not Yet Effective And Have Not Been Adopted Early By The Group

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but which the Group has not adopted early:

IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

IFRC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007 but it is not expected to have an impact on the Group's accounts.

(d) Interpretations Relating To Existing Standards That Are Not Yet Effective And Not Relevant For The Group's Operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As the Group has Sterling as its functional currency, IFRIC 7 is not relevant to the Group's operation.

IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contracts that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is not relevant to the Group's operations because none of the terms of the Group's contracts have been changed.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

Critical Accounting Estimates And Assumptions

Where the Group makes estimates and assumptions concerning the future, the resulting accounting estimates will seldom exactly match actual results. Due to the amounts involved, the estimates and assumptions of the amounts accrued for clinical trial costs have a greater risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group uses a percentage-of-completion method to accrue for such costs. This method requires the Group to estimate the services performed by contractors to date as a proportion of total services to be performed.

BASIS OF CONSOLIDATION

The consolidated income statement and Group balance sheet include the accounts of the Company and its subsidiary undertakings made up to 31 December.

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group and Company have elected not to apply IFRS 3 'Business combinations' retrospectively to business combinations which took place prior to 1 January 2004, namely the acquisition in 1996 of 100% of the issued share capital of Oxford BioMedica (UK) Limited that has been accounted for by the merger accounting method.

REVENUE

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

SEGMENTAL REPORTING

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

FINANCIAL INSTRUMENTS

The Group and Company's financial instruments comprise investments in subsidiaries and joint ventures, cash and cash equivalents, together with available for sale investments, debtors and creditors arising directly from operations and the onerous lease provision. Cash and cash equivalents comprise cash in hand and short term deposits which have an original maturity of three months or less and are readily convertible into known amounts of cash. Bank deposits with maturity of more than three months at the date of inception are classified as financial assets: available for sale investments, and are carried at their historic purchase price unless there is objective evidence of impairment, in which case they are written down to fair value. Such assets are classified as current where management intend to dispose of the asset within twelve months of the balance sheet date. Financial instruments are valued at fair value, subject to review for impairment at the balance sheet date. Charges or credits for impairment are passed through the income statement.

Other than short term currency purchase options, the Group does not enter into derivative transactions, and it is the Group's policy not to undertake any trading in financial instruments. The Group does not have any committed borrowing facilities, as its cash, cash equivalents and available for sale investments are sufficient to finance its current operations. Cash balances are mainly held on short and medium term deposits with quality financial institutions with a credit rating of at least A, in line with the Group's policy to minimise the risk of loss. The main risks associated with the Group's financial instruments relate to interest rate risk and foreign currency risk. The Group's policy in relation to interest rate risk is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day to day cash requirements. In relation to foreign currency risk, the Group's policy is to hold the majority of its funds in Sterling, and to use short term currency purchase options and interest-bearing foreign currency deposits to manage short term fluctuations in exchange rates. No other hedging of foreign currency cash outflows is undertaken.

LEASES

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

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

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

ONEROUS LEASE PROVISION

When leasehold properties become redundant or excess space arises in those properties, the Group provides for all costs to the end of the lease or the anticipated date of surrender of the lease, net of anticipated income. Such provisions are then discounted using the UK government zero-coupon bond yield applicable to the term of the cashflows.

PROPERTY PLANT AND EQUIPMENT

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

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

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

INTANGIBLE ASSETS

Intangible fixed assets, relating to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historic cost less accumulated amortisation, where the useful life of the asset is finite and the asset will probably generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortisation but is tested annually for impairment. No amortisation has been charged to date, as the products underpinned by the intellectual property rights are not yet available for commercial use.

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying value of non-financial assets is reviewed annually for impairment and provision made where appropriate. Charges or credits for impairment are passed through the income statement.

FINANCIAL ASSETS: INVESTMENTS

Financial assets: investments of the Company are carried at cost less any provision made for impairment.

GOVERNMENT AND OTHER GRANTS

Income from Government and other grants is recognised over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. This grant income is included as other operating income within the income statement, and the related costs are included within research and development costs and administrative expenses. Where the purchase of property, plant and equipment is supported by a grant, the relevant asset is included in the balance sheet at its full purchase price, and grant income is recognised over the useful life of the asset. The difference between grant income receivable and income recognised is included in accruals and deferred income.

RENTAL INCOME

Rental income from the Group's redundant former research and development facility in San Diego, USA is offset in the income statement against the rent payable under the head lease.

EMPLOYEE BENEFIT COSTS

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

SHARE BASED PAYMENT

Equity settled share based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period of the award. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The financial consequences of revisions to the original estimates, if any, are recognised in the income statement, with a corresponding adjustment to equity.

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

On adoption of IFRS the Group took the exemption provided in IFRS 1 which allowed the charge to be calculated only in respect of options granted to employees after 7 November 2002 which had not vested by 1 January 2005, amortised over the vesting period of the options.

OTHER EMPLOYEE BENEFITS

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

CASH AND CASH EQUIVALENTS

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

CURRENCY TRANSLATION

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

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

TAXATION INCLUDING DEFERRED TAX

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2006

1 SEGMENTAL ANALYSIS

The Group's primary segment reporting is by geographical location of assets, with business sector as the secondary format. Revenue and loss on ordinary activities before taxation are derived entirely from the principal activity, biotechnology research and development. The business segments comprise the Group's UK and US operations. The majority of the Group's activities take place in the United Kingdom, with the United States subsidiary providing intellectual property management and business development support to the United Kingdom operation. Purchases and sales between subsidiaries are eliminated on consolidation.

The segment results for the years ended 31 December 2006 and 31 December 2005 are as follows:

	2006			2005		
	United Kingdom	United States of America	Total	United Kingdom	United States of America	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Primary reporting format - geographic						
Revenue	760	-	760	824	-	824
Segmental operating loss	(20,609)	(493)	(21,102)	(10,679)	(554)	(11,233)
Interest cost	(12)	(17)	(29)	(11)	(20)	(31)
Interest income	1,741	2	1,743	968	1	969
Loss before tax	(18,880)	(508)	(19,388)	(9,722)	(573)	(10,295)
Taxation credit/(payable)	1,779	(17)	1,762	1,268	(58)	1,210
Loss for the financial year	(17,101)	(525)	(17,626)	(8,454)	(631)	(9,085)

Other segmental items included in the income statement are:

	2006			2005		
	United Kingdom	United States of America	Total	United Kingdom	United States of America	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Primary reporting format - geographic						
Depreciation	535	2	537	671	3	674
(Profit)/loss on disposal of property, plant and equipment	(1)	-	(1)	33	-	33
Employee share based payments	451	-	451	260	(1)	259

The segment assets and liabilities at 31 December 2006 and 31 December 2005 and capital expenditure in the years then ended are as follows:

	United Kingdom £'000	2006 United States of America £'000	Total £'000	United Kingdom £'000	2005 United States of America £'000	Total £'000
Primary reporting format - geographic						
Segment assets	6,760	235	6,995	5,123	301	5,424
Unallocated assets	-	-	28,543	-	-	43,817
Total liabilities	5,058	390	5,448	2,122	519	2,641
Capital expenditure	532	1	533	299	2	301
Purchase of intangibles	24	-	24	14	-	14

The Group's revenue derives from assets located in the United Kingdom. By destination, revenue derives from the European Union and the United States of America.

	2006 £'000	2005 £'000
Revenue by destination		
Europe	56	53
United States of America	704	771
Total revenue	760	824

2 EMPLOYEES AND DIRECTORS

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

	2006 Number	2005 Number
By activity		
Office and management	10	10
Research and development	62	59
Total	72	69

	2006 £'000	2005 £'000
Staff costs (for the above persons)		
Wages and salaries	4,319	3,832
Social security costs	430	391
Other pension costs	261	237
Share based payments	451	259
Total staff costs	5,461	4,719

	2006 £'000	2005 £'000
Key management compensation		
Salaries and short term employee benefits	1,815	1,636
Post-employment benefits	114	91
Share based payments	172	75
Total	2,101	1,802

The key management figures above include Executive and Non-Executive Directors. In respect of Directors' remuneration, the Company has taken advantage of the permission in paragraph 1(6) of schedule 6 to the Companies Act 1985 to omit aggregate information that is capable of being ascertained from the detailed disclosures in the Directors' Remuneration Report on pages 44 to 50, which forms part of these financial statements.

The Company had no employees during the year (2005: nil).

3 INTEREST EXPENSE AND INCOME

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Interest expense:				
Unwinding of discount in provisions	(29)	(20)	-	-
Other interest paid	-	(11)	-	-
Interest and similar charges payable	(29)	(31)	-	-
Interest income:				
Bank interest receivable	1,743	955	-	11
Other interest receivable	-	14	-	-
Total interest receivable	1,743	969	-	11
Net interest income	1,714	938	-	11

4 LOSS BEFORE TAXATION

	Group	
	2006 £'000	2005 £'000
The following have been included in arriving at operating loss		
Staff costs (note 2)	5,461	4,719
Depreciation of property, plant and equipment (note 9)	537	674
(Profit)/loss on disposal of property, plant and equipment	(1)	33
Repairs and maintenance expenditure on property, plant and equipment	209	181
Other operating lease rentals payable		
- Plant and machinery	14	16
- Property	962	961
Net exchange (loss)/gain on foreign currency deposits	(2)	24
Rental income from sublessee	(345)	(336)

During the year the Group (including its US subsidiary) obtained services from the Group's auditor as detailed below:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Services provided by the Group's auditor				
Audit services				
Statutory audit	57	55	31	34
Audit related reporting	14	22	12	20
Tax compliance and advisory services	40	43	-	-
Other services	4	35	-	33
Total	115	155	43	87

In addition to the above costs which are included in the income statement, fees of £131,000 charged to the share premium account were paid to PricewaterhouseCoopers LLP, relating to the placing, open offer and subscription in December 2005.

5 TAXATION

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The amount included in the financial statements for the year ended 31 December 2006 represents the credit receivable by the Group for the year and adjustments to prior periods. These amounts have not yet been agreed with the relevant tax authorities.

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Current tax				
United Kingdom corporation tax research and development credit	(1,709)	(1,175)	-	-
Overseas taxation	38	43	-	-
	(1,671)	(1,132)	-	-
Adjustments in respect of prior periods				
United Kingdom corporation tax research and development credit	(75)	(101)	-	-
Overseas taxation	(16)	23	-	-
Taxation credit	(1,762)	(1,210)	-	-

The tax credit for the year is lower (2005: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Loss on ordinary activities before tax	(19,388)	(10,295)	(163)	(316)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	(5,816)	(3,089)	(49)	(95)
Effects of:				
Depreciation for the period in excess of capital allowances and other timing differences	199	191	-	-
Expenses not deductible for tax purposes (permanent differences)	21	33	14	30
R&D relief 50% mark-up on expenses	(1,726)	(734)	-	-
Difference in rate re R&D tax credits	1,496	1,028	-	-
Tax deduction for share options less than/ (in excess of) IFRS 2 charge	63	(141)	-	-
Overseas tax	5	8	-	-
Tax losses carried forward to future periods	4,071	1,567	35	65
Overseas tax rate differences	16	5	-	-
Adjustments in respect of prior periods	(91)	(78)	-	-
Current tax credit for the year	(1,762)	(1,210)	-	-

At 31 December 2006, the Group had tax losses to be carried forward of approximately £56.3 million (2005: £43.3 million) of which £42.4 million has been agreed with the revenue authorities. Of the Group tax losses, £56.3 million (2005: £43.3 million) arose in the United Kingdom.

6 BASIC LOSS AND DILUTED LOSS PER ORDINARY SHARE

The basic loss per share has been calculated by dividing the loss for the year by the weighted average number of shares of 499,865,620 in issue during the year ended 31 December 2006 (2005: 380,914,250).

The Company had no dilutive potential ordinary shares in either year which would serve to increase the loss per ordinary share. There is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.

7 LOSS FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the Company's income statement has not been included in these financial statements. The Company's loss for the financial year was £163,000 (2005: £316,000).

8 INTANGIBLE ASSETS

Group	Intellectual property rights 2006 £'000	Intellectual property rights 2005 £'000
Cost		
At 1 January	1,920	1,991
Additions	24	14
Disposals	(17)	(85)
At 31 December	1,927	1,920
Accumulated amortisation and impairment		
At 1 January	279	364
Disposals	(17)	(85)
At 31 December	262	279
Net book amount at 31 December	1,665	1,641

Impairment charges, where applicable, are included within research and development costs in the income statement.

The Company had no intangibles at 31 December 2006 or 31 December 2005.

9 PROPERTY, PLANT AND EQUIPMENT

Group	Short leasehold improvements £'000	Office equipment, fixtures and fittings £'000	Computer equipment £'000	Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2006	2,270	86	270	2,650	5,276
Exchange adjustments	(47)	–	(2)	–	(49)
Additions at cost	385	3	34	111	533
Disposals	–	(2)	(21)	(91)	(114)
At 31 December 2006	2,608	87	281	2,670	5,646
Accumulated depreciation					
At 1 January 2006	2,093	74	212	2,066	4,445
Exchange adjustments	(47)	–	(1)	–	(48)
Charge for the year	221	9	34	273	537
Disposals	–	(2)	(21)	(84)	(107)
At 31 December 2006	2,267	81	224	2,255	4,827
Net book amount at 31 December 2006	341	6	57	415	819
Net book amount at 31 December 2005	177	12	58	584	831

Additions to short leasehold improvements include an asset of £335,000 recognised on establishment of a dilapidation provision in respect of the Group's leasehold property in Oxford.

The Company had no property, plant and equipment at 31 December 2006 or 31 December 2005.

10 INVESTMENTS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Fixed asset investments				
Shares in group undertakings				
At 1 January and 31 December	-	-	2,476	2,476
Loans to group undertakings				
At 1 January	-	-	107,768	79,036
Additions in the year	-	-	483	28,732
At 31 December	-	-	108,251	107,768
Impairment				
At 1 January and 31 December	-	-	9,115	9,115
Net book amount at 31 December	-	-	99,136	98,653
Capital contribution in respect of employee share schemes (see note 22)				
At 1 January	-	-	406	147
Additions in the year	-	-	451	259
At 31 December	-	-	857	406
Interests in joint ventures				
Cost: at 1 January and 31 December	26	26	-	-
Impairment: at 1 January and 31 December	26	26	-	-
Net book amount at 31 December	-	-	-	-
Total investments	-	-	102,469	101,535

Interests in subsidiary undertakings	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by the Group and Company	Nature of business
Name of undertaking				
Oxford BioMedica (UK) Limited	Great Britain	1p ordinary shares	100%	Gene therapy research and development
BioMedica Inc	United States of America	US\$0.001 common stock	100%	Gene therapy research and development

Both of the above subsidiaries have been consolidated in these financial statements.

At each year end the Directors review the carrying value of the Company's investment in subsidiaries, by reference to the Group's market capitalisation on the London Stock Exchange. Where there is a material and sustained shortfall, the Directors consider this to be a trigger of an impairment review as set out in IAS 36, and the carrying value of the Company's investments in subsidiaries is reduced.

The Directors consider that reference to the market capitalisation of the Group is an appropriate external measure of the value of the Group. The Directors considered that no change was required to the impairment provision at 31 December 2006.

Interests In Joint Ventures

The Company's subsidiary Oxford BioMedica (UK) Limited holds 10,000 ordinary shares of 5,000 Won each, representing 50% of the issued share capital of ViroTech Limited, a company incorporated in South Korea. ViroTech Limited's business is gene therapy research and development. To date, no significant level of transactions has been entered into. The accounting year-end for ViroTech Limited is 31 December. At 31 December 2006 the share capital and reserves of ViroTech Limited were approximately £70,000 (2005: £71,000). However, as there is currently no agreed business plan for ViroTech Limited, the Directors have written down the Group's investment to zero. Due to the immaterial size of the joint venture it had been included in the Group accounts as a fixed asset investment.

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Non-current				
Other receivables - rent deposit	150	205	-	-
Current				
Trade receivables	241	119	-	-
Other receivables	765	676	-	11
Other tax receivable	220	242	48	-
Prepayments	603	442	2	12
Accrued income	223	93	-	-
	2,052	1,572	50	23
Total trade and other receivables	2,202	1,777	50	23

Non-current receivables are not discounted as the impact of discounting would not be material.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Cash at bank and in hand	2,343	185	-	1
Short term bank deposits	5,700	20,132	-	-
Total cash and cash equivalents	8,043	20,317	-	1

In addition to the cash and cash equivalents described above, the Group held bank deposits of £20,500,000 (2005: £23,500,000) with an initial term to maturity between six and twelve months classified as available for sale investments.

The Company held no available for sale investments in 2006 or 2005.

Group cash at bank and in hand includes £182,000 (2005: nil) held in escrow for expenses of the TRIST Phase III clinical trial.

13 TRADE AND OTHER PAYABLES – CURRENT

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade payables	1,579	397	-	-
Other taxation and social security	315	263	-	-
Accruals	2,777	1,415	62	55
Deferred income	92	105	-	-
Total trade and other payables	4,763	2,180	62	55

14 PROVISIONS

Group	Dilapidations £'000	2006 Onerous lease £'000	Total £'000	2005
				Onerous lease £'000
At 1 January	-	460	460	464
Exchange adjustments	-	(52)	(52)	50
Tangible fixed asset recognised in the year	344	-	344	-
Utilised in the year	-	(79)	(79)	(81)
Amortisation of discount	12	17	29	20
Change of discount rate - charged to income statement	-	(8)	(8)	7
Change of discount rate - adjustment to recognised fixed asset	(9)	-	(9)	-
At 31 December	347	338	685	460
			2006	2005
			£'000	£'000
Current			58	67
Non-current			627	393
Total provisions			685	460

The dilapidations provision relates to anticipated costs of restoring the leasehold property in Oxford, UK to its original condition at the end of the present leases in 2011, discounted at 4.96% per annum. The provision will be utilised at the end of the leases if they are not renewed.

The onerous lease provision relates to the estimated rental shortfall in respect of a redundant property in San Diego, USA which has been sub-let for the remainder of the lease term until June 2012, discounted at 4.88% per annum (2005: 4.09% per annum). The provision will be utilised over the term of the lease.

The Company had no provisions at 31 December 2006 or 31 December 2005.

15 FINANCIAL INSTRUMENTS

The Group's and Company's financial instruments comprise investments in subsidiaries and joint ventures, cash and cash equivalents, together with available for sale investments, trade and other receivables, trade and other payables and provisions. Additional disclosures are set out in the Corporate Governance Statement relating to risk management.

The Group had the following financial instruments at 31 December each year:

	Assets		Liabilities	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Cash and cash equivalents	8,043	20,317	-	-
Available for sale investments	20,500	23,500	-	-
Trade and other receivables	2,202	1,777	-	-
Trade and other payables	-	-	4,763	2,180
Provisions	-	-	685	460
	30,745	45,594	5,448	2,640

All the available for sale investments held at 31 December 2006 and 31 December 2005 were denominated in Pounds Sterling.

The weighted average interest rates and average deposit terms for fixed rate deposits are shown below. Floating rate instant access deposits earned interest at prevailing bank rates.

	2006			Weighted average rate	2005		
	Weighted average rate	Year end deposits Weighted average term	Year average Weighted average rate		Weighted average rate	Year end deposits Weighted average term	Year average Weighted average rate
Sterling	5.08%	225 days	4.64%	4.60%	204 days	4.82%	
Euro	3.45%	41 days	3.17%	2.38%	31 days	2.15%	
US dollars	5.32%	33 days	5.03%	4.25%	31 days	3.31%	

In accordance with IAS 39 'Financial instruments: Recognition and measurement' the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no such derivatives identified at 31 December 2006 or 31 December 2005.

Fair Value

The Directors consider that the fair values of the Group's financial instruments do not differ significantly from their book values.

16 DEFERRED TAXATION

Neither the Company nor the Group had any recognised deferred tax assets or liabilities at 31 December 2006 (2005: nil). In light of the Group's continuing losses, recovery of the deferred tax asset is not sufficiently certain, and therefore no asset has been recognised.

Group	Accelerated tax depreciation	Provisions	Tax losses	Share options	Total
Deferred tax assets – not recognised	£'000	£'000	£'000	£'000	£'000
At 1 January 2006	(722)	(211)	(12,925)	(214)	(14,072)
Charged/(credited) to income statement	(134)	(41)	(3,969)	(133)	(4,277)
At 31 December 2006	(856)	(252)	(16,894)	(347)	(18,349)
Assets receivable in less than 12 months	-	(52)	-	-	(52)
Assets receivable in 12 months or more	(856)	(200)	(16,894)	(347)	(18,297)

17 CALLED-UP SHARE CAPITAL

Group and Company	2006	2005
Authorised	£'000	£'000
650,000,000 (2005: 650,000,000) ordinary shares of 1p each	6,500	6,500
Issued and fully paid	£'000	£'000
Ordinary shares of 1p each		
At 1 January - 498,438,210 (2005: 372,094,163) shares	4,984	3,721
Allotted on exercise of share options – 2,446,260 (2005: 6,016,006) shares	25	60
Subscription by collaborative partner – 485,185 (2005: 11,528,041) shares	5	115
Placing and open offer in 2005 – 108,800,000 shares	-	1,088
At 31 December – 501,369,655 (2005: 498,438,210) shares	5,014	4,984

Between 31 January 2006 and 18 December 2006 the Company issued 2,446,260 ordinary shares of 1p each on the exercise of share options under share option schemes for aggregate cash consideration of £466,000. There were no costs in respect of these share issues.

On 29 September 2006 the Company's UK subsidiary signed a research and collaboration agreement with The Foundation Fighting Blindness (FFB) through its translational research arm, National Neurovision Research Institute, to develop a portfolio of gene therapy products for the treatment of eye diseases. Alongside this agreement, an investor supporting FFB subscribed for 485,185 ordinary shares of 1p each in the Company at a 10% premium to the prevailing market price, raising proceeds of £160,000.

Costs in connection with the FFB subscription were £9,000. In January 2007 the Company secured repayment of VAT of £48,000 on costs of share issues in earlier years. Consequently the 2006 accounts show a net reduction of £39,000 in share issue costs.

18 OPTIONS OVER SHARES OF OXFORD BIOMEDICA PLC

The Company has issued share options under two unapproved share option schemes; the Oxford BioMedica 1996 (No.1) Share Option Scheme and the Oxford BioMedica 1996 Share Option Plan. Options have also been granted to a small number of individuals (mainly employees of the Company's US subsidiary BioMedica Inc) under individual option agreements. In October 2006 the authority to issue share options under the two schemes ended. Options granted prior to October 2006 are not affected.

Options granted under the Share Option Scheme after 5 April 1999 could give rise to a National Insurance liability on exercise. The Company has obtained undertakings from the holders of all options that could trigger such a liability that the optionholder would pay any secondary National Insurance so arising.

The total number of options over ordinary shares of 1p each that had been granted and had not been exercised or lapsed at 31 December 2006 was as follows:

Options granted to employees (including Directors) under the Oxford BioMedica 1996 (No. 1) Share Option Scheme	Number of shares	Exercise price per share	Date from which exercisable	Expiry date
	960,003	60.0p to 79.0p	22/03/03 to 04/12/03	22/03/07 to 04/12/07
	647,622	24.0p to 72.0p	05/02/04 to 19/11/04	05/02/08 to 19/11/08
	1,268,679	8.75p to 39.0p	14/01/05 to 16/09/05	14/01/09 to 16/09/09
	1,743,872	7.0p to 19.25p	07/03/06 to 27/10/06	07/03/10 to 27/12/10
	2,756,156	16.5p to 23.0p	26/03/07 to 29/11/07	26/03/11 to 29/11/11
	3,637,304	20.25p to 43.25p	01/04/08 to 15/12/08	01/04/12 to 15/12/12
	2,379,148	28.25p to 31.0p	21/03/09 to 06/09/09	21/03/13 to 06/09/13
	13,392,784			

Options granted under the Oxford BioMedica 1996 Share Option Plan	Number of shares	Exercise price per share	Date from which exercisable	Expiry date
	26,387	78.0p	06/11/03	06/11/07
	47,497	24.0p to 27.0p	19/11/04 to 19/12/04	19/11/08 to 19/12/08
	284,985	10.0p to 31.0p	02/01/05 to 06/09/05	02/01/09 to 06/09/09
	358,869			

Options granted under individual contracts	Number of shares	Exercise price per share	Date from which exercisable	Expiry date
	3,362,034	51.0p	25/05/02	25/05/11
	661,485	34.0p to 43.0p	25/06/02 to 20/08/02	25/06/11 to 20/08/11
	211,100	53.0p	17/04/04	17/04/08
	87,500	29.25p	06/06/07	06/06/16
	4,322,119			
	18,073,772			

On 1 February 2007 three new share based schemes were approved by shareholders at an Extraordinary General Meeting. 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). No awards have yet been made under these new schemes.

19 SHARE BASED PAYMENTS

All employees of the Group are awarded share options. All the options granted to UK employees up to 31 December 2006 have been awarded under the Oxford BioMedica 1996 (No.1) Share Option Scheme ("the Scheme"). Options granted under the Scheme have a fixed exercise price based on the market price at the date of grant. The contractual life of the options is seven years. Options cannot normally be exercised before the third anniversary of the date of grant. For options granted to Directors and certain other employees since 2001, the options are exercisable only if at the time of exercise, or for 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. It is the Company's policy to make at least six grants of options to UK employees, at approximately six-month intervals.

Options granted to employees at the Group's US subsidiary are generally a single grant at the time of joining the subsidiary company, and have a contractual life of ten years. Twenty five percent of the total shares under option become exercisable twelve months after the date of grant, with the remainder becoming exercisable thereafter at the rate of 2.0834 percent per month.

Options were valued using the Black-Scholes option pricing model. For each relevant option grant, individual valuation assumptions were assessed based upon conditions at the date of grant. The range of assumptions in the calculation of share based payment in 2006 is as follows:

	07.03.03 to 27/10/03	26.03.04 to 29.11.04	01.04.05 to 15.12.05	21.03.06 to 06.09.06
Grant dates	6.125p to 19.25p	16.5p to 22.75p	20.25p to 42.75p	27.5p to 31.0p
Share price at grant date	6.125p to 19.25p	16.5p to 23.0p	20.25p to 43.25p	28.25p to 31.0p
Exercise price	-	-	25,000	21,875
Shares vesting in 1 year	-	-	25,000	21,875
Shares vesting between 1 and 2 years	2,332,961	3,089,686	3,956,628	2,401,023
Shares vesting between 2 and 3 years	-	-	25,000	21,875
Shares vesting between 3 and 4 years	2,332,961	3,089,686	4,031,628	2,466,648
Total number of shares under option	76.4%	74.5%	66.2%	63.2%
Expected volatility (average)	5.57	5.98	5.45	5.90
Expected life (years, average)	4.53%	4.66%	4.34%	4.53%
Risk free rate (average)	4.74%	12.81%	17.23%	14.22%
Expected rate of forfeit before vesting (average)	100%	100%	100%	100%
Expectation of meeting performance criteria	4.24p to 13.48p	11.56p to 15.78p	13.54p to 28.29p	17.24p to 21.44p
Fair value per option				

Expected volatility is based on historical volatility for a period the same length as the expected option life ending on the date of grant. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the expected option life.

The weighted average share price for options granted during the year was 30.0p (2005: 31.0p). The weighted average share price for options exercised during the year was 19.0p (2005: 17.3p). The total charge for the year relating to employee share based payment plans was £451,000 (2005: £259,000) all of which related to equity-settled share based payment transactions. A reconciliation of movements in all options over the year to 31 December 2006 and an analysis of options outstanding at the year end are shown below.

	2006		2005	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	18,977,043	32.2p	21,550,692	28.1p
Granted	2,466,648	30.0p	4,031,628	31.0p
Expired	(280,100)	64.4p	(91,668)	20.4p
Forfeited	(643,559)	28.5p	(497,603)	30.3p
Exercised	(2,446,260)	19.0p	(6,016,006)	17.3p
Outstanding at 31 December	18,073,772	33.3p	18,977,043	32.2p
Exercisable 31 December	9,213,664	38.9p	9,674,272	40.3p
Exercisable and where market price exceeds exercise price at 31 December	3,783,505	16.9p	3,546,511	17.6p

Range of exercise prices	2006				2005			
	Weighted average exercise price	Number of shares	Weighted average remaining life		Weighted average exercise price	Number of shares	Weighted average remaining life	
			Expected	Contractual			Expected	Contractual
Under 10p	8.2p	1,619,694	2.39	2.84	8.0p	1,994,676	3.42	3.90
10p to 20p	18.6p	1,485,454	1.96	3.83	18.6p	1,722,217	3.13	4.84
20p to 30p	24.9p	6,879,482	3.90	5.23	23.4p	7,992,289	3.67	4.71
30p to 40p	31.4p	1,734,880	4.69	5.74	33.6p	538,612	4.89	5.04
40p to 50p	42.9p	1,427,263	4.57	5.30	42.9p	1,543,260	5.57	6.33
50p to 60p	51.1p	3,598,658	4.18	4.19	51.1p	3,598,658	5.18	5.19
Over 60p	67.6p	1,328,341	0.64	0.67	67.6p	1,587,331	1.64	1.67
		18,073,772				18,977,043		

20 SHARE PREMIUM ACCOUNT

Group and Company	2006 £'000	2005 £'000
At 1 January	106,097	78,309
Premium on shares issued during the year under the share option schemes	441	978
Subscription by collaborative partner	155	2,767
Placing and open offer	-	26,112
Refund/(costs) associated with issue of shares	39	(2,069)
At 31 December	106,732	106,097

21 RETAINED LOSSES

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
At 1 January (deficit)	(64,565)	(55,739)	(9,983)	(9,667)
Loss for the year	(17,626)	(9,085)	(163)	(316)
Share based payments	451	259	-	-
At 31 December (deficit)	(81,740)	(64,565)	(10,146)	(9,983)

At 31 December 2006 neither the Company nor its subsidiary undertakings had reserves available for distribution (2005: nil).

22 OTHER RESERVES

Group	Translation reserve	Merger reserve	Total
	£'000	£'000	£'000
At 1 January 2005	(623)	711	88
Exchange adjustments	(4)	-	(4)
At 31 December 2005	(627)	711	84
Exchange adjustments	-	-	-
At 31 December 2006	(627)	711	84

The merger reserve is the reserve arising from consolidation of Oxford BioMedica (UK) Limited using the merger method of accounting.

Company	Share scheme reserve £'000
At 1 January 2005	147
Credit in relation to employee share schemes	259
At 31 December 2005	406
Credit in relation to employee share schemes	451
At 31 December 2006	857

Options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRS 2 'Share based Payment' the expense in respect of these awards is recognised in the subsidiaries' financial statements (see note 19). In accordance with IFRIC draft interpretation D17, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment of £451,000 (2005: £259,000) (see note 10) and a corresponding credit to reserves.

23 CASH FLOW FROM OPERATING ACTIVITIES

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Reconciliation of operating loss to net cash used in operations				
Continuing operations				
Loss before tax	(19,388)	(10,295)	(163)	(316)
Adjustment for:				
Depreciation	537	674	-	-
(Profit)/loss on disposal of property, plant and equipment	(1)	33	-	-
Interest income	(1,743)	(969)	-	(11)
Interest expense	29	31	-	-
Charge in relation to employee share schemes	451	259	-	-
Changes in working capital:				
(Increase)/decrease in trade and other receivables	(107)	(190)	13	-
Increase in payables	2,583	457	3	6
Decrease in provisions	(87)	(74)	-	-
Net cash used in operations	(17,726)	(10,074)	(147)	(321)

24 PENSION COMMITMENTS

The Group operates defined contribution pension schemes for its Directors and employees. The assets of the schemes are held in independently administered funds. The pension cost charge of £261,000 (2005: £237,000) represents amounts payable by the Group to the funds. Contributions of £28,000 (included in accruals) were payable to the funds at the year end (2005: £27,000).

25 OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	2006		2005	
	Property £'000	Plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Not later than one year	1,031	11	614	10
Later than one year and not later than five years	3,666	16	1,957	25
Later than five years	234	-	793	-
Total lease commitments	4,931	27	3,364	35
Total future minimum sublease payments receivable	2,029	-	2,683	-

The Group leases equipment under non-cancellable operating lease agreements. The Group also leases its laboratories and offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The figures for property leases include a redundant building in San Diego, USA which has been sub-let. A provision of £338,000 has been made (2005: £460,000) for the expected rental shortfall under this lease (see note 14).

The Company had no operating lease commitments during the year (2005: none).

26 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities at 31 December 2006 or at 31 December 2005. The Group had commitments of £8,000 for capital expenditure for plant and equipment not provided in the financial statements at 31 December 2006 (2005: £25,000).

27 RELATED PARTY TRANSACTIONS

Identity Of Related Parties

The Group consists of a parent, Oxford BioMedica plc and two wholly-owned subsidiaries. The main trading company is Oxford BioMedica (UK) Limited. The second subsidiary BioMedica Inc provides services in the USA to Oxford BioMedica (UK) Limited under a transfer pricing agreement.

The Parent Company is responsible for financing and setting Group strategy. Oxford BioMedica (UK) Limited carries out the Group strategy, employs all the UK staff including the Directors, and owns and manages all of the Group's intellectual property. The proceeds of the issue of shares is passed from Oxford BioMedica plc to Oxford BioMedica (UK) Limited as a loan, and Oxford BioMedica (UK) Limited manages Group funds and makes payments, including the expenses of the Parent Company.

Company: transactions with subsidiary	2006 £'000	2005 £'000
Purchases:		
Parent Company expenses paid by subsidiary	(152)	(944)
Transactions involving Parent Company shares:		
Proceeds of Parent Company share issues received by subsidiary	160	28
Proceeds of subsidiary employee share sales received by parent	(232)	(346)
Cash management:		
Cash loaned by parent to subsidiary	707	29,994

The loan from Oxford BioMedica plc to Oxford BioMedica (UK) Limited is unsecured and interest free. The loan is not due for repayment within 12 months of the year end. The year end balance on the loan was:

Company: year end balance of loan	2006 £'000	2005 £'000
Loan to subsidiary	108,251	107,768

In addition to the transactions above, options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRIC draft interpretation D17, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment of £857,000 (2005: £406,000).

There were no transactions (2005: none) with the dormant joint venture ViroTech Limited.

As described in the Directors' Remuneration Report, in 2004 Oxford BioMedica (UK) Limited entered into a consultancy agreement with Mark Berninger, a Non-Executive Director, in connection with the Group's licensing strategy for the LentiVector technology. In addition to Directors' fees a total of £6,329 (2005: £22,387) was incurred in consultancy fees.

A close family member of Andrew Wood is employed by the Group and is paid at market rate. Total compensation comprising salary, national insurance and pension cost was £62,000 (2005: £57,000)