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## Technology

Secured rights to therapeutic RNA interference patents using LentiVector® technology



# FINANCIAL STATEMENTS

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# Independent Auditors' Report

to the members of Oxford BioMedica plc

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of Oxford BioMedica plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Balance Sheets, the Cash Flow Statements, the Statements of Changes in Shareholders' Equity and the related notes. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Corporate Mission, the Highlights, the Company Overview, the Chairman's Statement, the Business Review, the Corporate Social Responsibility statement, the Financial Review, the Corporate Governance Statement, and the biographies of the Directors and Scientific Advisory Board. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited.

## OPINION

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended; and
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007 and of the cash flows for the year then ended; and
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Reading  
10 March 2008

# Consolidated Income Statement

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Revenue	3	7,219	760
Cost of sales		(449)	-
Research and development costs		(22,142)	(19,523)
Administrative expenses		(4,617)	(2,699)
Administrative expenses comprise:			
Administrative expenses before exceptionals		(4,282)	(2,699)
Exceptional administrative expenses	5	(335)	-
Total administrative expenses		(4,617)	(2,699)
Other operating income: grants receivable		161	360
<b>Operating loss</b>		<b>(19,828)</b>	<b>(21,102)</b>
Finance costs	6	(30)	(29)
Finance income	6	2,117	1,743
<b>Loss before tax</b>	3	<b>(17,741)</b>	<b>(19,388)</b>
Taxation	8	2,452	1,762
<b>Loss for the financial year</b>	25	<b>(15,289)</b>	<b>(17,626)</b>
Basic loss and diluted loss per ordinary share	9	<b>(2.9p)</b>	(3.5p)

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

as at 31 December 2007

	Notes	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	11	14,910	1,665	-	-
Property, plant and equipment	12	810	819	-	-
Financial assets: Investments in subsidiaries	13	-	-	119,451	102,469
		<b>15,720</b>	2,484	<b>119,451</b>	102,469
<b>Current assets</b>					
Trade and other receivables	14	4,672	2,202	2	50
Current tax assets		2,623	2,309	-	-
Financial assets: Available for sale investments	15	27,185	20,500	-	-
Cash and cash equivalents	15	10,962	8,043	-	-
		<b>45,442</b>	33,054	<b>2</b>	50
<b>Current liabilities</b>					
Trade and other payables	16	9,557	4,671	61	62
Deferred income	17	11,530	92	-	-
Current tax liabilities		14	-	-	-
Provisions	18	60	58	-	-
		<b>21,161</b>	4,821	<b>61</b>	62
<b>Net current assets/(liabilities)</b>		<b>24,281</b>	28,233	<b>(59)</b>	(12)
<b>Non-current liabilities</b>					
Other non-current liabilities		96	-	-	-
Deferred income	17	7,383	-	-	-
Provisions	18	590	627	-	-
		<b>8,069</b>	627	-	-
<b>Net assets</b>		<b>31,932</b>	30,090	<b>119,392</b>	102,457
<b>Shareholders' equity</b>					
Ordinary shares	21	5,347	5,014	5,347	5,014
Share premium	24	109,101	106,732	109,101	106,732
Merger reserve	26	14,310	711	13,599	-
Other reserves	26	(625)	(627)	1,685	857
Losses	25	(96,201)	(81,740)	(10,340)	(10,146)
<b>Total equity</b>		<b>31,932</b>	30,090	<b>119,392</b>	102,457

The financial statements on pages 69 to 97 were approved by the Board of Directors on 7 March 2008 and were signed on its behalf by:

**Professor A J Kingsman**  
Chief Executive Officer

# Cash Flow Statements

for the year ended 31 December 2007

	Notes	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Cash flows from operating activities</b>					
Cash generated by/(used in) operations	27	2,307	(17,726)	(191)	(147)
Interest received		1,567	1,440	-	-
Tax credit received		2,480	650	-	-
Overseas tax paid		(57)	(25)	-	-
Net cash from operating activities		6,297	(15,661)	(191)	(147)
<b>Cash flows from investing activities</b>					
Loan from/(to) subsidiary		-	-	228	(483)
Proceeds from sale of property, plant and equipment		7	1	-	-
Purchases of property, plant and equipment		(259)	(192)	-	-
Purchases of intangible assets		(162)	(24)	-	-
Net (purchase)/maturity of available for sale investments		(6,685)	3,000	-	-
Cash and cash equivalents acquired with subsidiary	31	3,759	-	-	-
Acquisition costs	31	(382)	-	(382)	-
Net cash (used in)/generated by investing activities		(3,722)	2,785	(154)	(483)
<b>Cash flows from financing activities</b>					
Net proceeds from issue of ordinary share capital		345	629	345	629
Effects of exchange rate changes		(1)	(27)	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>					
		2,919	(12,274)	-	(1)
Cash and cash equivalents at 1 January		8,043	20,317	-	1
<b>Cash and cash equivalents at 31 December</b>	15	<b>10,962</b>	<b>8,043</b>	<b>-</b>	<b>-</b>

# Statement of Changes in Shareholders' Equity

for the year ended 31 December 2007

Group	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Losses £'000	Total £'000
At 1 January 2006		4,984	106,097	711	(627)	(64,565)	46,600
Loss for the year		-	-	-	-	(17,626)	(17,626)
Total recognised expense for the year		-	-	-	-	(17,626)	(17,626)
Share options:							
Proceeds from shares issued	21, 24	25	441	-	-	-	466
Value of employee services	23	-	-	-	-	451	451
Issue of shares excl. options	21, 24	5	155	-	-	-	160
Costs of share issues	24	-	(9)	-	-	-	(9)
Refund of VAT in respect of share issue expenses	24	-	48	-	-	-	48
<b>At 31 December 2006</b>		<b>5,014</b>	<b>106,732</b>	<b>711</b>	<b>(627)</b>	<b>(81,740)</b>	<b>30,090</b>
Exchange adjustments		-	-	-	2	-	2
Loss for the year		-	-	-	-	(15,289)	(15,289)
Total recognised expense for the year		-	-	-	2	(15,289)	(15,287)
Shares issued in acquisition		318	2,083	13,599	-	-	16,000
Share options:							
Proceeds from shares issued	21, 24	13	199	-	-	-	212
Value of employee services	23	-	-	-	-	828	828
Issue of shares excl. options	21, 24	2	97	-	-	-	99
Costs of share issues	24	-	(10)	-	-	-	(10)
<b>At 31 December 2007</b>		<b>5,347</b>	<b>109,101</b>	<b>14,310</b>	<b>(625)</b>	<b>(96,201)</b>	<b>31,932</b>

<b>Company</b>	Notes	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Merger reserve £'000</b>	<b>Other reserve £'000</b>	<b>Losses £'000</b>	<b>Total £'000</b>
At 1 January 2006		4,984	106,097	-	406	(9,983)	101,504
Loss for the year		-	-	-	-	(163)	(163)
Total recognised expense for the year		-	-	-	-	(163)	(163)
Share options:							
Proceeds from shares issued	21, 24	25	441	-	-	-	466
Credit in relation to employee share schemes	26	-	-	-	451	-	451
Issue of shares excl. options	21, 24	5	155	-	-	-	160
Costs of share issues	24	-	(9)	-	-	-	(9)
Refund of VAT in respect of share issue expenses	24	-	48	-	-	-	48
<b>At 31 December 2006</b>		<b>5,014</b>	<b>106,732</b>	<b>-</b>	<b>857</b>	<b>(10,146)</b>	<b>102,457</b>
Loss for the year		-	-	-	-	(194)	(194)
Total recognised expense for the year		-	-	-	-	(194)	(194)
Shares issued in acquisition		<b>318</b>	<b>2,083</b>	<b>13,599</b>	-	-	<b>16,000</b>
Share options:							
Proceeds from shares issued	21, 24	<b>13</b>	<b>199</b>	-	-	-	<b>212</b>
Credit in relation to employee share schemes	26	-	-	-	<b>828</b>	-	<b>828</b>
Issue of shares excl. options	21, 24	<b>2</b>	<b>97</b>	-	-	-	<b>99</b>
Costs of share issues	24	-	<b>(10)</b>	-	-	-	<b>(10)</b>
<b>At 31 December 2007</b>		<b>5,347</b>	<b>109,101</b>	<b>13,599</b>	<b>1,685</b>	<b>(10,340)</b>	<b>119,392</b>

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

## 1 ACCOUNTING POLICIES

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') as adopted by the European Union 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, amendments and interpretations effective in 2007*

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.
- IFRIC 8, 'Scope of IFRS 2', 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 in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's or the Company's financial statements.
- IFRIC 10, 'Interim financial reporting and impairment', 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. This standard does not have any impact on the Group's or the Company's financial statements.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', was adopted early in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's or the Company's financial statements.

#### *(b) Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

#### *(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not adopted them early:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but it is currently not applicable as there are no qualifying assets.
- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it is possible that the number

of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the Board.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.
- IFRS 3 (Revised) – 'Business combinations'. The IASB published a revised IFRS 3, 'Business combinations', on 10 January 2008. The standard continues to apply the acquisition method to business combinations, with some significant changes. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009, with earlier application permitted.
- IAS27 (Revised) – 'Consolidated and Separate Financial Statements'. The Standard addresses the accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. The amended Standard must be applied for annual periods beginning on or after 1 July 2009. Earlier application is permitted. However, an entity must not apply the amendments for annual periods beginning before 1 July 2009 unless it also applies IFRS 3 (as revised in 2008).

*(d) Interpretations 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 and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).

## USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting 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 regarding revenue recognition and the amounts accrued for clinical trial costs have a greater risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Revenue from payments in 2007 by sanofi-aventis under the TroVax collaboration is being recognised on a straight-line basis over the estimated period to specific milestone events in 2009 and 2010, based on management's estimates of the timing of these events. Should the timing of these events differ from management's estimates, there could be a material effect on the income statement and on the amount of deferred revenue in the balance sheet. If the revenue recognition period was extended by six months with all other variables held constant the amount of revenue recognised in 2007 would be reduced by £1,252,000 and the amount of deferred income increased by the same amount (2006: no change).

For clinical trial costs 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. If the accruals calculated using this method were over/under estimated by 5% with all other variables held constant there would have been an increase/decrease in post-tax loss of £165,000 (2006: £88,000).

## 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 consolidated from the date at which control is transferred to the Group.

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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those of the Group.

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.

## JOINT VENTURES

Unless the amounts are not material, entities that are jointly controlled are consolidated using the proportionate consolidation method on a line by line basis which combine's the Group's assets, liabilities, income and expenses with the Group's share of assets, liabilities, income and expenses of the joint venture in which the Group has an interest.

## REVENUE

The Group generates revenue as a result of product and technology licence transactions. Product licence transactions typically have an initial upfront non-refundable payment on execution of the licence, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Technology licence transactions typically have 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. Amounts receivable in respect of milestone payments are recognised as revenue when the specific conditions stipulated in the licence agreement have been met. Maintenance fees within the contracts are spread over the period to which they relate, usually a year. Otherwise, amounts receivable are recognised in the period in which related costs are incurred, or over the estimated period to completion of the relevant phase of development. 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.

## COST OF SALES

The Group's products and technologies include technology elements that are licensed from third parties. Cost of sales is the royalty arising on such third party licenses. Where royalty due on revenue has not been paid it is included in accruals. Where revenue is spread over a number of accounting periods, the royalty attributable to the deferred revenue is included in prepayments.

## 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. In prior years the Group also carried out laboratory-based research and development in San Diego. On termination of laboratory-based activities in San Diego the US subsidiary relocated to smaller premises. The redundant laboratory premises were sub-let to offset rental costs.

## CLINICAL TRIAL EXPENSES

Where advances are made to clinical trial sites, or stocks of materials for use of clinical trials are purchased and stored, the relevant costs are included in trade and other receivables as prepaid clinical trial expenses. Expenses are charged to the income statement as clinical trial services are carried out, or clinical trial materials are used.

## EXCEPTIONAL ITEMS

Exceptional items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the period, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include non-recurring reorganisation costs.

## 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. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included as non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date. Bank deposits with maturity of more than three months at the date of inception are included in the classification '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 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 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.

## PROPERTY PLANT AND EQUIPMENT

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

## 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 economic 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 tested annually for impairment. Amortisation would commence when products underpinned by the intellectual property rights became available for commercial use. Amortisation would be calculated on a straight line basis over the shorter of the remaining useful life of the intellectual property or the estimated sales life of the products. 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 economic 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 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. Intellectual property and in-process research and development from acquisitions are recognised as intangible assets at fair value. Any residual excess of consideration over the fair value of net assets in an acquisition is recognised as goodwill in the financial statements.

## 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 Group are carried at cost less any provision made for impairment.

## TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

## 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.

## PROVISIONS

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to the passage of time is recognised as interest expense.

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. Onerous lease provisions are discounted using the UK government zero-coupon bond yield applicable to the term of the cashflows.

The Group recognises dilapidations provisions when: property leases have a legal or constructive obligation to reinstate any alterations or to make good dilapidations at the end of the lease; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Dilapidations provisions are discounted using the UK government zero-coupon bond yield applicable to the remaining term of the relevant leases.

## SHARE CAPITAL

Ordinary shares are classified as equity. Mandatorily redeemable preference shares would be classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 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.

## 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. Where complex market performance criteria exist, a Monte Carlo model has been used to establish the fair value on grant. When share options are exercised the proceeds received are credited to share capital (nominal value) and share premium.

## OTHER EMPLOYEE BENEFITS

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

## FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentational currency

Monetary assets and liabilities in foreign currencies are translated into the functional currency at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into the functional currency 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. Redundant assets at the US subsidiary's former laboratories have been written down to a book value of zero and have no impact on present or future exchange differences. 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 year, adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is accounted for using the 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 average 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.

## 2 FINANCIAL RISK MANAGEMENT

### FINANCIAL RISK FACTORS

The Group's relatively simple structure, principally operating in the United Kingdom, and the lack of debt financing reduces the range of financial risks to which it is exposed. Monitoring of financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually. The Group's agreed policies are implemented by the Chief Financial Officer, who submits reports at each Board meeting. Other than short term currency options, the Group does not use financial derivatives, and it is the Group's policy not to undertake any trading in financial instruments.

#### *(a) Foreign exchange risk*

The Group's revenues are receivable in Euros and United States Dollars, and certain of its expenditures are payable in Euros and United States Dollars. The majority of operating costs is denominated in Sterling. For the foreseeable future, the bulk of the Group's revenue will come from the collaboration with sanofi-aventis, denominated in Euros, which presents a possible source of foreign exchange risk in respect of future revenue. The majority of the revenue received from sanofi-aventis in 2007 was converted to Sterling on receipt and no longer represents a foreign exchange risk; the remaining Euros were placed on deposit and used to hedge short-term Euro denominated liabilities. The Group uses short term currency purchase options and interest-bearing deposits of United States Dollars and Euros to manage short term fluctuations in exchange rates.

Had the Euro been 5% stronger/weaker when the payments from sanofi-aventis were converted to Sterling, with all other variables held constant, revenue for 2007 would have been £348,000 higher/lower and the post tax loss £348,000 lower/higher (2006: no change). Deferred revenue at 31 December 2007 would have been £941,000 higher/lower (2006: no change).

At 31 December 2007, if the Euro had weakened/strengthened by 5% against Sterling with all other variables held constant, the post-tax loss for the year would have been £127,000 (2006: £47,000) lower/higher, mainly as a result of net foreign exchange gains/losses on translation of Euro-denominated payables. The sensitivity to Euro-Sterling exchange rate changes is greater in 2007 due to the higher level of net Euro-denominated liabilities in 2007. Sensitivity to the Dollar-Sterling exchange rate is somewhat lower. The impact on post-tax loss and equity at 31 December 2007 of a 5% weakening/strengthening of the US Dollar against Sterling with all other variables held constant would have been a decrease/increase in post-tax loss of £33,000 (2006: increase/decrease of £4,000) and an increase/decrease in equity of £41,000 (2006: decrease/increase £1,000).

#### *(b) Interest rate risk*

The Group does not have any committed borrowing facilities, as its cash balances are sufficient to finance its current operations. Consequently, there is no material exposure to interest rate risk.

If interest rates had been 10 basis points higher/lower the impact on net loss in 2007 would have been a decrease/increase of £38,000 (2006: £38,000) due to changes in the amount of interest receivable.

#### *(c) Credit risks*

The Group's policy is to place funds with financial institutions rated at least A. During 2007 the Group placed funds on deposit with two banks. One bank, however, dealt with 93% of all invested funds during the year (2006: 92%), and held all the invested funds at the year end (2006: 91%). The Group does not allocate a quota to individual institutions but seeks to diversify its investments, where this is consistent with achieving competitive rates of return.

#### *(d) Cash flow and liquidity risk*

At the present time the collaboration with sanofi-aventis provides funding from milestone-based payments, which are significant in size but infrequent. Funds are generally placed on deposit, and day to day spending commitments are met out of invested funds. The maturity profile of investments is structured to ensure that sufficient liquid funds are available to meet operating requirements. The Directors do not consider that there is presently a material cash flow or liquidity risk.

#### *(e) Pricing risk*

Currently revenue derives from collaboration milestones, which are not sensitive to pricing risk.

## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

There were no derivatives at 31 December 2007 or 31 December 2006, and hedge accounting has not been used.

## FAIR VALUE ESTIMATES

The fair value of short term deposits with a maturity of one year or less is assumed to be the book value.

## 3 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 Group's one business segment, biotechnology research and development. All costs of acquisition of property, plant and equipment and intangible assets as well as depreciation expense borne by the Group relate to this one segment. In addition, all other non-cash expenses incurred by the Group relate to this one segment. The two geographic locations 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 2007 and 31 December 2006 are as follows:

Primary reporting format – geographic	2007			2006		
	United Kingdom £'000	United States of America £'000	Total £'000	United Kingdom £'000	United States of America £'000	Total £'000
<b>Revenue</b>	<b>7,219</b>	-	<b>7,219</b>	760	-	760
Segmental operating loss	(19,258)	(570)	(19,828)	(20,609)	(493)	(21,102)
Finance cost			(30)			(29)
Finance income			2,117			1,743
<b>Loss before tax</b>			<b>(17,741)</b>			(19,388)
Taxation credit			2,452			1,762
<b>Loss for the financial year</b>			<b>(15,289)</b>			(17,626)

Other segmental items included in the income statement are:

Primary reporting format – geographic	2007			2006		
	United Kingdom £'000	United States of America £'000	Total £'000	United Kingdom £'000	United States of America £'000	Total £'000
Depreciation	312	2	314	535	2	537
Loss/(profit) on disposal of property, plant and equipment	77	-	77	(1)	-	(1)
Employee share based payments	823	5	828	451	-	451

The segment assets and liabilities at 31 December 2007 and 31 December 2006 and capital expenditure in the years then ended are as follows:

Primary reporting format – geographic	2007			2006		
	United Kingdom £'000	United States of America £'000	Total £'000	United Kingdom £'000	United States of America £'000	Total £'000
Segment assets	22,815	200	23,015	6,760	235	6,995
Unallocated assets: Cash, cash equivalents and short term deposits			38,147			28,543
Total liabilities	28,769	461	29,230	5,058	390	5,448
Capital expenditure	284	-	284	532	1	533
Purchase of intangibles	167	-	167	24	-	24

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.

Revenue by destination	2007 £'000	2006 £'000
Europe	7,021	56
United States of America	198	704
<b>Total revenue</b>	<b>7,219</b>	<b>760</b>

## 4 EMPLOYEES AND DIRECTORS

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

By activity	2007 Number	2006 Number
Office and management	12	10
Research and development	68	62
<b>Total</b>	<b>80</b>	<b>72</b>

Employee benefit costs	2007 £'000	2006 £'000
Wages and salaries	5,531	4,319
Social security costs	734	430
Other pension costs	269	261
Share based payments (note 23)	828	451
<b>Total employee benefit costs</b>	<b>7,362</b>	<b>5,461</b>

Key management compensation	2007 £'000	2006 £'000
Salaries and short term employee benefits	2,589	1,815
Post-employment benefits	93	114
Share based payments	492	172
<b>Total</b>	<b>3,174</b>	<b>2,101</b>

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 60 to 64, which forms part of these financial statements.

The Company had no employees during the year (2006: nil).

## 5 EXCEPTIONAL ADMINISTRATIVE EXPENSES

Exceptional administrative expenses of £335,000 (2006: nil) were restructuring costs associated with the integration of Oxxon Therapeutics Limited ('Oxxon') and closure of the former Oxxon offices and laboratories following the acquisition of Oxxon in March 2007. Severance and related costs for former Oxxon employees were £247,000. Fixed asset write-offs (mostly leasehold improvements) were £73,000. Other expenses were £15,000. The cash outflow associated with the exceptional expenses was £262,000 (2006: nil).

## 6 FINANCE INCOME AND EXPENSE

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Finance expense:</b>				
Unwinding of discount in provisions (note 18)	(30)	(29)	-	-
<b>Total finance expense</b>	<b>(30)</b>	<b>(29)</b>	<b>-</b>	<b>-</b>
<b>Finance income:</b>				
Bank interest receivable	2,113	1,743	-	-
Other interest receivable	4	-	-	-
<b>Total finance income</b>	<b>2,117</b>	<b>1,743</b>	<b>-</b>	<b>-</b>
<b>Net finance income</b>	<b>2,087</b>	<b>1,714</b>	<b>-</b>	<b>-</b>

## 7 EXPENSES BY NATURE

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Royalties payable	454	80	-	-
Employee benefit costs (note 4)	7,362	5,461	-	-
Consumables used	819	823	-	-
Depreciation, amortisation and impairment charges (notes 11, 12)	322	537	-	-
Loss/(profit) on disposal of property, plant and equipment	77	(1)	-	-
Repairs and maintenance expenditure on property, plant and equipment	213	209	-	-
Operating lease payments (note 12)	981	976	-	-
Rental income from sublease (note 12)	(330)	(345)	-	-
Consultants and subcontracted research	786	358	-	-
Externally contracted clinical and preclinical development	11,837	11,153	-	-
Legal and professional fees including patent costs	2,108	1,246	185	149
Net loss on foreign exchange	3	2	-	-
Other expenses	2,576	1,723	9	14
<b>Total cost of sales, research and development and administrative expenses</b>	<b>27,208</b>	<b>22,222</b>	<b>194</b>	<b>163</b>

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

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Services provided by the Group's auditor</b>				
Audit services				
Statutory audit	71	57	33	31
Other services				
Financial reporting advice	14	14	12	12
Tax compliance and advisory services	53	40	-	-
Other	6	4	-	-
<b>Total</b>	<b>144</b>	<b>115</b>	<b>45</b>	<b>43</b>

In addition fees of £3,000 (2006: nil) included in costs of acquisition were paid to PricewaterhouseCoopers LLP in relation to the acquisition of Oxxon Therapeutics Limited.

## 8 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 2007 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.

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The 2007 Finance Act was substantively enacted on 26 June 2007 and therefore the effects are included in tax disclosures in these financial statements. The 2008 Finance Act was not substantively enacted at balance sheet date and therefore the effects have not been included in tax disclosures in these financial statements.

The changes announced in the March 2007 Budget Statement and expected to be enacted in the 2008 Finance Act are not expected to have a material impact on the tax figures disclosed in these financial statements.

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Continuing operations</b>				
<b>Current tax</b>				
United Kingdom corporation tax research and development credit	(2,526)	(1,709)	-	-
Overseas taxation	60	38	-	-
	<b>(2,466)</b>	<b>(1,671)</b>	-	-
<b>Adjustments in respect of prior periods</b>				
United Kingdom corporation tax research and development credit	-	(75)	-	-
Overseas taxation	14	(16)	-	-
<b>Taxation credit</b>	<b>(2,452)</b>	<b>(1,762)</b>	-	-

The tax credit for the year is lower (2006: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(17,741)	(19,388)	(194)	(163)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	(5,322)	(5,816)	(58)	(49)
Effects of:				
Depreciation for the period in excess of capital allowances and other timing differences	64	199	-	-
Expenses not deductible for tax purposes (permanent differences)	44	21	2	14
R&D relief 50% mark-up on expenses	(1,659)	(1,726)	-	-
Difference in rate re R&D tax credits	2,205	1,496	-	-
Tax deduction for share options less than IFRS 2 charge	131	63	-	-
Overseas tax	4	5	-	-
Tax losses carried forward to future periods	2,067	4,071	56	35
Overseas tax rate differences	-	16	-	-
Adjustments in respect of prior periods	14	(91)	-	-
<b>Current tax credit for the year</b>	<b>(2,452)</b>	<b>(1,762)</b>	-	-

At 31 December 2007, the Group had tax losses to be carried forward of approximately £76.7 million (2006: £56.3 million) of which £54 million has been agreed with the revenue authorities. Of the Group tax losses, £76.7 million (2006: £56.3 million) arose in the United Kingdom.

There is no deferred tax recognised (see note 20).

## 9 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 528,024,022 in issue during the year ended 31 December 2007 (2006: 499,865,620).

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.

## 10 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 £194,000 (2006: £163,000).

## 11 INTANGIBLE ASSETS

Group	In process R&D £'000	Intellectual property rights £'000	Total £'000
<b>Cost</b>			
At 1 January 2007	-	1,927	1,927
Additions – through business combination (note 31)	10,400	2,686	13,086
Additions	-	167	167
<b>At 31 December 2007</b>	<b>10,400</b>	<b>4,780</b>	<b>15,180</b>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2007	-	262	262
Impairment in the year	-	8	8
<b>At 31 December 2007</b>	<b>-</b>	<b>270</b>	<b>270</b>
<b>Net book amount at 31 December 2007</b>	<b>10,400</b>	<b>4,510</b>	<b>14,910</b>
<b>Cost</b>			
At 1 January 2006	-	1,920	1,920
Additions	-	24	24
Disposals	-	(17)	(17)
<b>At 31 December 2006</b>	<b>-</b>	<b>1,927</b>	<b>1,927</b>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2006	-	279	279
Disposals	-	(17)	(17)
<b>At 31 December 2006</b>	<b>-</b>	<b>262</b>	<b>262</b>
<b>Net book amount at 31 December 2006</b>	<b>-</b>	<b>1,665</b>	<b>1,665</b>

In-process research and development acquired in 2007 comprises the fair value of the Hi-8 MEL therapeutic vaccine for the treatment of melanoma. Intellectual property rights acquired through acquisition comprise the Oxxon Therapeutics patent portfolio covering therapeutic vaccines and PrimeBoost methods.

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

The Company had no intangibles at 31 December 2007 or 31 December 2006.

## 12 PROPERTY, PLANT AND EQUIPMENT

Group	Short leasehold improvements £'000	Office equipment, fixtures and fittings £'000	Computer equipment £'000	Laboratory equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2007	2,608	87	281	2,670	5,646
Exchange adjustments	(4)	-	-	-	(4)
Additions – through business combination (note 31)	79	10	2	8	99
Additions – separately	20	7	75	174	276
Dilapidation asset – effect of change in discount rate	8	-	-	-	8
Disposals	(79)	(9)	(63)	(26)	(177)
<b>At 31 December 2007</b>	<b>2,632</b>	<b>95</b>	<b>295</b>	<b>2,826</b>	<b>5,848</b>
<b>Accumulated depreciation</b>					
At 1 January 2007	2,267	81	224	2,255	4,827
Exchange adjustments	(4)	-	-	-	(4)
Charge for the year	93	6	41	174	314
Disposals	(12)	(3)	(63)	(21)	(99)
<b>At 31 December 2007</b>	<b>2,344</b>	<b>84</b>	<b>202</b>	<b>2,408</b>	<b>5,038</b>
<b>Net book amount at 31 December 2007</b>	<b>288</b>	<b>11</b>	<b>93</b>	<b>418</b>	<b>810</b>
<b>Cost</b>					
At 1 January 2006	2,270	86	270	2,650	5,276
Exchange adjustments	(47)	-	(2)	-	(49)
Additions at cost	50	3	34	111	198
Dilapidations asset recognised	335	-	-	-	335
Disposals	-	(2)	(21)	(91)	(114)
<b>At 31 December 2006</b>	<b>2,608</b>	<b>87</b>	<b>281</b>	<b>2,670</b>	<b>5,646</b>
<b>Accumulated depreciation</b>					
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)
<b>At 31 December 2006</b>	<b>2,267</b>	<b>81</b>	<b>224</b>	<b>2,255</b>	<b>4,827</b>
<b>Net book amount at 31 December 2006</b>	<b>341</b>	<b>6</b>	<b>57</b>	<b>415</b>	<b>819</b>

The Company had no property, plant and equipment at 31 December 2007 or 31 December 2006.

Lease rentals amounting to £968,000 (2006: £962,000) and £13,000 (2006: £14,000) relating to the lease of property and machinery, respectively, and sublease income of £330,000 (2006: £345,000) are included in the income statement (note 7).

## 13 INVESTMENTS

	2007 £'000	2006 £'000
<b>Fixed asset investments: Company</b>		
<b>Shares in group undertakings</b>		
At 1 January	2,476	2,476
Additions in the year	14,682	-
<b>At 31 December</b>	<b>17,158</b>	2,476
<b>Loans to group undertakings</b>		
At 1 January	108,251	107,768
Addition through business combination	1,700	-
Loan (repaid)/advanced in the year	(228)	483
<b>At 31 December</b>	<b>109,723</b>	108,251
<b>Total investments in shares and loans to group undertakings</b>	<b>126,881</b>	110,727
<b>Impairment</b>		
<b>At 1 January and 31 December</b>	<b>9,115</b>	9,115
<b>Net book amount at 31 December</b>	<b>117,766</b>	101,612
<b>Capital contribution in respect of employee share schemes (see note 26)</b>		
At 1 January	857	406
Additions in the year	828	451
<b>At 31 December</b>	<b>1,685</b>	857
<b>Total investments</b>	<b>119,451</b>	102,469

The Group had no investments at 31 December 2007 (2006: nil). All the Company investments above are cancelled out in the consolidated balance sheet.

## INTERESTS IN SUBSIDIARY UNDERTAKINGS

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

All 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 2007.

## 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 2007 the share capital and reserves of ViroTech Limited were approximately £72,000 (2006: £70,000). 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.

## 14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Non-current</b>				
Other receivables – rent deposit	118	150	-	-
<b>Current</b>				
Trade receivables	91	241	-	-
Other receivables	1,129	765	-	-
Other tax receivable	414	220	-	48
Prepaid clinical trial expenses	969	-	-	-
Other prepayments	1,917	603	2	2
Accrued income	34	223	-	-
	<b>4,554</b>	<b>2,052</b>	<b>2</b>	<b>50</b>
<b>Total trade and other receivables</b>	<b>4,672</b>	<b>2,202</b>	<b>2</b>	<b>50</b>

The fair value of trade and other receivables are the current book values.

At 31 December 2007 and 31 December 2006 none of the trade receivables was aged over three months. No receivables were impaired. Non-current receivables are not discounted as the impact of discounting would not be material.

Prepaid clinical trial expenses comprise stocks of materials for use in clinical trials and advance payments to clinical trial sites.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2007 £'000	2006 £'000
Sterling	3,686	1,259
US Dollar	334	943
Euro	652	-
	<b>4,672</b>	<b>2,202</b>

The Company's receivables are all denominated in Sterling.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above. The Group does not hold any collateral as security.

## 15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash at bank and in hand	5,402	2,343	-	-
Short term bank deposits	5,560	5,700	-	-
<b>Total cash and cash equivalents</b>	<b>10,962</b>	<b>8,043</b>	<b>-</b>	<b>-</b>

In addition to the cash and cash equivalents described above, the Group held Sterling bank deposits of £27,185,000 (2006: £20,500,000) with an initial term to maturity between three and twelve months classified as available for sale investments. None of these deposits is past due or impaired.

The Company held no available for sale investments in 2007 or 2006.

Group cash at bank and in hand includes £76,000 (2006: £182,000) held in escrow for expenses of the TRIST Phase III clinical trial.

## 16 TRADE AND OTHER PAYABLES - CURRENT

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade payables	2,948	1,579	-	-
Other taxation and social security	418	315	-	-
Accruals	6,191	2,777	61	62
<b>Total trade and other payables</b>	<b>9,557</b>	<b>4,671</b>	<b>61</b>	<b>62</b>

## 17 DEFERRED INCOME

In 2007 non-refundable payments totalling €38,000,000 (£25,793,000) were received from sanofi-aventis under the TroVax licence agreement. These payments are being recognised as revenue over a period of 24 to 36 months. To date revenue recognised under the sanofi-aventis collaboration is £6,970,000.

At 31 December 2007 the Group had deferred income of £18,913,000 (2006: £92,000). £11,530,000 (2006: £92,000) is expected to be recognised as revenue within 12 months of the balance sheet date, and is classified as current; the remaining £7,383,000 (2006: nil) is classified as non-current.

## 18 PROVISIONS

Group	Dilapidations £'000	Onerous lease £'000	Total £'000
At 1 January 2007	347	338	685
Exchange adjustments	-	(5)	(5)
Utilised in the year	-	(71)	(71)
Amortisation of discount	16	14	30
Change of discount rate – charged to income statement	-	3	3
Change of discount rate – adjustment to recognised fixed asset	8	-	8
<b>At 31 December 2007</b>	<b>371</b>	<b>279</b>	<b>650</b>
At 1 January 2006	-	460	460
Exchange adjustments	-	(52)	(52)
Tangible fixed asset recognised in the year	335	-	335
Utilised in the year	-	(79)	(79)
Amortisation of discount	12	17	29
Change of discount rate – charged to income statement	-	(8)	(8)
<b>At 31 December 2006</b>	<b>347</b>	<b>338</b>	<b>685</b>

	2007 £'000	2006 £'000
Current	60	58
Non-current	590	627
<b>Total provisions</b>	<b>650</b>	<b>685</b>

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 4.32% per annum (2006: 4.96%). 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 4.39% per annum (2006: 4.88% per annum). The provision will be utilised over the term of the lease.

The Company had no provisions at 31 December 2007 or 31 December 2006.

## 19 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	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash and cash equivalents	10,962	8,043	-	-
Available for sale investments	27,185	20,500	-	-
Trade and other receivables	4,672	2,202	-	-
Trade and other payables	-	-	9,557	4,671
Deferred income	-	-	18,913	92
Provisions	-	-	650	685
	<b>42,819</b>	<b>30,745</b>	<b>29,210</b>	<b>5,448</b>

All the available for sale investments held at 31 December 2007 and 31 December 2006 were denominated in 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.

	2007			2006		
	Year end deposits		Yr. average	Year end deposits		Yr. average
	Weighted average rate	Weighted average term	Weighted average rate	Weighted average rate	Weighted average term	Weighted average rate
Sterling	6.06%	229 days	5.67%	5.08%	225 days	4.64%
Euro	4.93%	33 days	4.08%	3.45%	41 days	3.17%
US dollars	5.25%	33 days	5.24%	5.32%	33 days	5.03%

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 2007 or 31 December 2006.

### FAIR VALUE

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

## 20 DEFERRED TAXATION

Neither the Company nor the Group had any recognised deferred tax assets or liabilities at 31 December 2007 (2006: 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
Deferred tax liabilities – not recognised	£'000
<b>At 1 January 2007</b>	<b>(856)</b>
Origination and reversal of temporary differences	98
Acquisition of subsidiary	3,673
<b>At 31 December 2007</b>	<b>2,915</b>
Liabilities due in less than 12 months	-
Liabilities due in 12 months or more	2,915

Group	Provisions	Tax losses	Share options	Total
Deferred tax assets – not recognised	£'000	£'000	£'000	£'000
<b>At 1 January 2007</b>	(252)	(16,894)	(347)	<b>(17,493)</b>
Origination and reversal of temporary differences	30	(825)	204	<b>(591)</b>
Acquisition of subsidiary	-	(3,811)	-	<b>(3,811)</b>
<b>At 31 December 2007</b>	<b>(222)</b>	<b>(21,530)</b>	<b>(143)</b>	<b>(21,895)</b>
Assets receivable in less than 12 months	(22)	-	-	<b>(22)</b>
Assets receivable in 12 months or more	(200)	(21,530)	(143)	<b>(21,873)</b>

## 21 CALLED-UP SHARE CAPITAL

Group and Company	2007	2006
Authorised	£'000	£'000
650,000,000 (2006: 650,000,000) ordinary shares of 1p each	<b>6,500</b>	6,500
<b>Issued and fully paid</b>	<b>£'000</b>	£'000
<b>Ordinary shares of 1p each</b>		
At 1 January – 501,369,655 (2006: 498,438,210) shares	<b>5,014</b>	4,984
Issued as consideration for acquisition 31,771,246 shares	<b>318</b>	-
Allotted on exercise of share options – 1,271,636 (2006: 2,446,260) shares	<b>13</b>	25
Allotted for cash to licensors of patent rights - 243,306 shares	<b>2</b>	-
Subscription by collaborative partner in 2006 – 485,185 shares	-	5
<b>At 31 December – 534,655,843 (2006: 501,369,655) shares</b>	<b>5,347</b>	5,014

Between 3 January 2007 and 24 August 2007 the Company issued 1,271,636 ordinary shares of 1p each on the exercise of share options under share option schemes for aggregate cash consideration of £212,000. There were no costs in respect of these share issues.

On 9 March 2007 the Company issued 31,771,246 ordinary shares of 1p each as consideration for the acquisition of Oxxon Therapeutics Limited. The issue price was 50.36p per share, being the average market price over the preceding 30 days. Costs of £11,000 in respect of the issue of these shares have been charged to the share premium account. Additional fees and expenses of £382,000 incurred in connection with the acquisition of Oxxon Therapeutics have been capitalised as part of the cost of investment.

On 4 July 2007 the Company issued 243,306 ordinary shares of 1p each to Children's Hospital Boston USA for cash at market value of 40.75p per share, raising proceeds of £99,000. At the same time, Oxford BioMedica (UK) Limited entered into a licence agreement to extend the Group's rights to the endostatin and angiostatin genes for use in gene therapy to treat cancer. Costs of £4,000 in respect of these share issues have been charged to the share premium account.

## 22 OPTIONS OVER SHARES OF OXFORD BIOMEDICA PLC

The Company has issued share options under three unapproved share option schemes and under a long term incentive 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 Oxford BioMedica 1996 (No.1) Share Option Scheme and the Oxford BioMedica 1996 Share Option Plan ended. Subject to the scheme rules, options granted under these schemes remain in force. In February 2007 three new option schemes were approved by shareholders: 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 the SIP.

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 2007 was as follows:

### OPTIONS GRANTED TO EMPLOYEES (INCLUDING DIRECTORS) UNDER THE OXFORD BIOMEDICA 1996 (NO. 1) SHARE OPTION SCHEME

2007 Number of shares	2006 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
<b>559,735</b>	647,622	24.0p to 72.0p	05/02/04 to 19/11/04	05/02/08 to 19/11/08
<b>1,033,405</b>	1,268,679	8.75p to 39.0p	14/01/05 to 16/09/05	14/01/09 to 16/09/09
<b>928,579</b>	1,743,872	7.0p to 19.25p	07/03/06 to 27/10/06	07/03/10 to 27/10/10
<b>2,603,061</b>	2,756,156	16.5p to 23.0p	26/03/07 to 29/11/07	26/03/11 to 29/11/11
<b>3,490,679</b>	3,637,304	20.25p to 43.25p	01/04/08 to 15/12/08	01/04/12 to 15/12/12
<b>1,963,970</b>	2,379,148	28.25p to 31.0p	21/03/09 to 06/09/09	21/03/13 to 06/09/13
<b>10,579,429</b>	13,392,784			

### OPTIONS GRANTED TO EMPLOYEES UNDER THE OXFORD BIOMEDICA SHARE OPTION SCHEME

2007 Number of shares	2006 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
<b>1,998,229</b>	-	22.0p to 49.25p	08/03/10 to 14/12/10	08/03/17 to 14/12/17

### OPTIONS GRANTED UNDER THE OXFORD BIOMEDICA LONG TERM INCENTIVE PLAN

2007 Number of shares	2006 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
<b>4,079,495</b>	-	1p	03/04/10	04/04/10

### OPTIONS GRANTED UNDER THE OXFORD BIOMEDICA 1996 SHARE OPTION PLAN

2007 Number of shares	2006 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
-	26,387	78.0p	06/11/03	06/11/07
<b>47,497</b>	47,497	24.0p to 27.0p	19/11/04 to 19/12/04	19/11/08 to 19/12/08
<b>284,985</b>	284,985	10.0p to 31.0p	02/01/05 to 06/09/05	02/01/09 to 06/09/09
<b>332,482</b>	358,869			

### OPTIONS GRANTED UNDER INDIVIDUAL CONTRACTS

2007 Number of shares	2006 Number of shares	Exercise price per share	Date from which exercisable	Expiry date
<b>3,362,034</b>	3,362,034	51.0p	25/05/02	25/05/11
<b>661,485</b>	661,485	34.0p to 43.0p	25/06/02 to 20/08/02	25/06/11 to 20/08/11
<b>211,100</b>	211,100	53.0p	17/04/04	17/04/08
<b>87,500</b>	87,500	29.25p	06/06/07	06/06/16
<b>4,322,119</b>	4,322,119			
<b>21,311,754</b>	18,073,772			

Options granted to employees after 5 April 1999 could give rise to a National Insurance liability on exercise. For options granted under the Oxford BioMedica 1996 (No. 1) Share Option Scheme, 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. In respect of options (including LTIP awards) granted in 2007 a provision of £129,000 is included in accruals at December 2007 for the potential NI liability of relevant options that were above water based on the year-end share price of 25.5p per share.

## 23 SHARE BASED PAYMENTS

All eligible employees of the Group are awarded share options. Options granted to UK employees have been awarded under the Oxford BioMedica 1996 (No.1) Share Option Scheme ("the 1996 Scheme"), the Oxford BioMedica share Option Scheme ("the 2007 Scheme") and the long term incentive plan ("the LTIP"). It is the Company's policy to make at least six grants of options to UK employees, at approximately six-month intervals. Since the introduction of the LTIP in 2007 it is the Group's policy not to award share options to Directors.

Options granted under the 1996 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 under the 1996 Scheme, 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.

Options granted under the 2007 Scheme also have a fixed exercise price based on the market price at the time of grant. The contractual life of the options is ten years. Options cannot normally be exercised before the third anniversary of the date of grant.

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.

LTIP awards made in 2007 were nil-cost options, exercisable at par on the third anniversary of grant. Release of the LTIP will depend on the satisfaction of a performance condition based on comparative Total Shareholder Return against a comparator group of companies.

Options excluding LTIP awards, were valued using the Black-Scholes option pricing model. The LTIP, which contains complex market-based conditions, was valued using a Monte Carlo 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 2007 is as follows:

	Share options 26.03.04 to 29.11.04	Share options 01.04.05 to 15.12.05	Share options 21.03.06 to 06.09.06	Share options 08.03.07 to 14.12.07	LTIP 03.04.07
Grant dates	26.03.04 to 29.11.04	01.04.05 to 15.12.05	21.03.06 to 06.09.06	08.03.07 to 14.12.07	03.04.07
Share price at grant date	16.5p to 22.75p	20.25p to 42.75p	27.5p to 31.0p	22.0p to 49.25p	48.5p
Exercise price	16.5p to 23.0p	20.25p to 43.25p	28.25p to 31.0p	22.0p to 49.25p	1.0p
Shares vesting in 1 year	-	-	21,875	-	-
Shares vesting between 1 and 2 years	-	-	21,875	-	-
Shares vesting between 2 and 3 years	3,089,686	3,904,028	2,401,023	2,010,309	4,079,495
Shares vesting between 3 and 4 years	-	-	21,875	-	-
<b>Total number of shares under option</b>	<b>3,089,686</b>	<b>3,904,028</b>	<b>2,466,648</b>	<b>2,010,309</b>	<b>4,079,495</b>
Expected volatility (weighted average)	75.0%	71.1%	63.8%	63.3%	60.4%
Expected life (years, weighted average)	5.98	5.33	5.90	5.70	3.00
Risk free rate (weighted average)	4.66%	4.34%	4.53%	4.98%	5.42%
Expected rate of forfeit before vesting (weighted average)	10.8%	16.9%	18.5%	15.7%	0.0%
Expectation of meeting performance criteria	100%	100%	100%	100%	66%
Fair value per option	11.6p to 15.9p	14.0p to 29.0p	16.7p to 22.2p	13.3p to 30.6p	32.9p

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.

Excluding the LTIP award, which is exercisable at par subject to satisfaction of the performance condition, the weighted average share price for options granted during the year was 41.7p (2006: 30.0p). The weighted average share price for options exercised during the year was 16.7p (2006: 19.0p). The total charge for the year relating to employee share based payment plans was £828,000 (2006: £451,000) all of which related to equity-settled share based payment transactions. A reconciliation of movements in all options over the year to 31 December 2007 and an analysis of options outstanding at the year end are shown below.

	2007		2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	18,073,772	33.3p	18,977,043	32.2p
Granted	2,010,309	41.7p	2,466,648	30.0p
Expired	(1,006,303)	66.2p	(280,100)	64.4p
Forfeited	(573,883)	31.3p	(643,559)	28.5p
Exercised	(1,271,636)	16.7p	(2,446,260)	19.0p
Outstanding at 31 December	17,232,259	33.6p	18,073,772	33.3p
Exercisable at 31 December	9,724,695	33.8p	9,213,664	38.9p
Exercisable and where market price exceeds exercise price at 31 December	4,630,909	17.2p	3,783,505	16.9p

In addition to the share options above, awards over 4,079,495 shares were made under the LTIP in 2007 (2006: nil).

Range of exercise prices	2007				2006			
	Weighted average exercise price	Number of shares	Weighted average remaining life (years)		Weighted average exercise price	Number of shares	Weighted average remaining life (years)	
			Expected	Contractual			Expected	Contractual
LTIP: Exercisable at par	1.0p	4,079,495	2.25	2.25	-	-	-	-
Options:								
Under 10p	8.3p	1,225,895	1.38	1.82	8.2p	1,619,694	2.39	2.84
10p to 20p	18.2p	838,682	1.43	2.82	18.6p	1,485,454	1.96	3.83
20p to 30p	24.8p	6,586,939	2.97	4.38	24.9p	6,879,482	3.90	5.23
30p to 40p	33.5p	2,283,724	4.18	6.37	31.4p	1,734,880	4.69	5.74
40p to 50p	45.2p	2,376,323	4.17	6.42	42.9p	1,427,263	4.57	5.30
50p to 60p	51.1p	3,598,658	3.18	3.19	51.1p	3,598,658	4.18	4.19
Over 60p	72.0p	322,038	0.10	0.10	67.6p	1,328,341	0.64	0.67
Total including LTIP		21,311,754				18,073,772		

## 24 SHARE PREMIUM ACCOUNT

Group and Company	2007	2006
	£'000	£'000
At 1 January	106,732	106,097
Premium on shares issued in acquisition <sup>1</sup>	2,083	-
Premium on shares issued during the year under the share option schemes	199	441
Premium on shares issued in connection with intellectual property purchase	97	-
Subscription by collaborative partner	-	155
(Costs)/refund associated with issue of shares	(10)	39
<b>At 31 December</b>	<b>109,101</b>	<b>106,732</b>

<sup>1</sup> The premium of £13,599,000 on Oxford BioMedica plc shares issued to acquire the share capital of Oxxon Therapeutics Limited has been credited to Merger Reserve. The premium of £2,083,000 credited to the share premium account relates to shares issued to acquire a loan from certain former shareholders of Oxxon.

## 25 LOSSES

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 January (deficit)	(81,740)	(64,565)	(10,146)	(9,983)
Loss for the year	(15,289)	(17,626)	(194)	(163)
Share based payments (note 23)	828	451	-	-
<b>At 31 December (deficit)</b>	<b>(96,201)</b>	<b>(81,740)</b>	<b>(10,340)</b>	<b>(10,146)</b>

At 31 December 2007 neither the Company nor its subsidiary undertakings had reserves available for distribution (2006: nil).

## 26 OTHER RESERVES

Group	Translation reserve	Merger reserve	Total
	£'000	£'000	£'000
At 1 January 2007	(627)	711	84
Exchange adjustments	2	-	2
Arising on the acquisition of Oxxon Therapeutics Limited <sup>1</sup>	-	13,599	13,599
<b>At 31 December 2007</b>	<b>(625)</b>	<b>14,310</b>	<b>13,685</b>
At 1 January 2006	(627)	711	84
Exchange adjustments	-	-	-
<b>At 31 December 2006</b>	<b>(627)</b>	<b>711</b>	<b>84</b>

The merger reserve at 1 January 2007 comprises £711,000 arising from consolidation of Oxford BioMedica (UK) Limited using the merger method of accounting. The additional amount in 2007 arises from the application of merger relief to the purchase of Oxxon Therapeutics Limited. The premium on 27,551,628 Oxford BioMedica shares issued to Oxxon shareholders for the entire share capital of Oxxon was £13,599,000.

Company	Share scheme reserve
	£'000
At 1 January 2007	857
Credit in relation to employee share schemes	828
<b>At 31 December 2007</b>	<b>1,685</b>
At 1 January 2006	406
Credit in relation to employee share schemes	451
<b>At 31 December 2006</b>	<b>857</b>

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 22). In accordance with IFRIC 11, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment of £828,000 (2006: £451,000) (see note 10) and a corresponding credit to reserves.

## 27 CASH FLOW FROM OPERATING ACTIVITIES

### Reconciliation of loss before tax to net cash from operations

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Continuing operations</b>				
Loss before tax	(17,741)	(19,388)	(194)	(163)
Adjustment for:				
Depreciation	314	537	-	-
Loss/(profit) on disposal of property, plant and equipment	77	(1)	-	-
Impairment of intangible assets	8	-	-	-
Finance income	(2,117)	(1,743)	-	-
Finance expense	30	29	-	-
Charge in relation to employee share schemes	828	451	-	-
Changes in working capital:				
(Increase)/decrease in trade and other receivables	(1,880)	(107)	-	13
Increase in payables	4,036	2,596	3	3
Increase/(decrease) in deferred income	18,821	(13)	-	-
(Decrease) in provisions	(69)	(87)	-	-
<b>Net cash generated by/(used in) operations</b>	<b>2,307</b>	<b>(17,726)</b>	<b>(191)</b>	<b>(147)</b>

## 28 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 £269,000 (2006: £261,000) represents amounts payable by the Group to the funds. Contributions of £30,000 (included in accruals) were payable to the funds at the year end (2006: £28,000).

## 29 OPERATING LEASE COMMITMENTS – MINIMUM LEASE PAYMENTS

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

Group	2007		2006	
	Property £'000	Plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Not later than one year	1,039	9	1,031	11
Later than one year and not later than five years	2,909	7	3,666	16
Later than five years	-	-	234	-
<b>Total lease commitments</b>	<b>3,948</b>	<b>16</b>	<b>4,931</b>	<b>27</b>
<b>Total future minimum sublease payments receivable</b>	<b>1,671</b>	<b>-</b>	<b>2,029</b>	<b>-</b>

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 £279,000 has been made (2006: £338,000) for the expected rental shortfall under this lease (see note 18).

The Company had no operating lease commitments during the year (2006: none).

## 30 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities at 31 December 2007 or at 31 December 2006. The Group had commitments of £22,000 for capital expenditure for plant and equipment not provided in the financial statements at 31 December 2007 (2006: £8,000).

## 31 ACQUISITION OF OXXON THERAPEUTICS LIMITED

On 9 March 2007 the Company purchased the entire issued share capital including all voting rights of Oxxon Therapeutics Limited ('Oxxon'). In addition, a loan of £1.7 million to Oxxon from the former owners of Oxxon was acquired. The purchase has been accounted for as an acquisition. The assets acquired included cash and cash equivalents of £3.8 million. On 2 April 2007 in an internal reorganisation, the trade of Oxxon Therapeutics Limited together with all its assets and liabilities was sold to the Group's principal operating subsidiary Oxford BioMedica (UK) Limited, and Oxxon is now dormant.

The purchase consideration, including the acquisition of the loan was £16,000,000 which was satisfied by the issue of 31,771,246 new 1p ordinary shares at 50.36p per share (the average market price over the 30 days ended 8 March 2007).

From the date of acquisition to 2 April 2007 the net loss of Oxxon was £95,000. From 2 April 2007 the Oxxon business was integrated with that of Oxford BioMedica (UK) Limited, and the facilities formerly occupied by Oxxon were closed down. Since 2 April 2007 the net loss attributable to the Oxxon business was approximately £517,000 of which closure and severance costs of £335,000 were classified as exceptional administrative expenses. Had the acquisition taken place at the beginning of 2007 these amounts would not have been materially different.

All intangible assets have been recognised at their respective fair values. There was no residual excess of the consideration over the fair value of net assets acquired, so no goodwill has been recognised in the financial statements.

	Carrying values pre acquisition £'000	Fair value adjustment £'000	Fair value £'000
<b>Acquisition of Oxxon Therapeutics Limited</b>			
Intangible assets	243	12,843	<b>13,086</b>
Property, plant and equipment	99	-	<b>99</b>
Receivables	100	-	<b>100</b>
Payables	(930)	-	<b>(930)</b>
R&D tax credit receivable	268	-	<b>268</b>
Deferred tax liability on fair value of intangibles	-	(3,926)	<b>(3,926)</b>
Deferred tax asset – tax losses	-	3,926	<b>3,926</b>
Cash and cash equivalents	3,759	-	<b>3,759</b>
Loans	(1,700)	1,700	-
Net assets acquired	1,839	14,543	<b>16,382</b>
Goodwill			-
<b>Consideration</b>			<b>16,382</b>
Consideration satisfied by:			
Shares issued to acquire Oxxon share capital			<b>13,875</b>
Shares issued to acquire loan from former parent of Oxxon			<b>2,125</b>
Expenses of acquisition			<b>382</b>
			<b>16,382</b>

The net inflow of cash and cash equivalents on the acquisition of Oxxon was:

	£,000
Cash and cash equivalents acquired	<b>3,759</b>
Cash costs of acquisition	<b>(382)</b>
	<b>3,377</b>

The fair value of the intangibles acquired with Oxxon was:

	£,000
In-process R&D: Hi-8 MEL melanoma vaccine	<b>10,400</b>
Intellectual property rights: PrimeBoost technology	<b>2,686</b>
	<b>13,086</b>

## 32 RELATED PARTY TRANSACTIONS

### IDENTITY OF RELATED PARTIES

The Group consists of a parent, Oxford BioMedica plc, two wholly-owned trading subsidiaries and one subsidiary (Oxxon Therapeutics Limited) which was acquired and became dormant in 2007. The main trading company is Oxford BioMedica (UK) Limited. The second trading 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 by the parent are 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. Subsequent to the acquisition of Oxxon Therapeutics Limited by Oxford BioMedica plc in 2007, Oxford BioMedica (UK) Limited acquired all the assets and liabilities of Oxxon, including an inter-group loan of £1,700,000.

	<b>2007</b>	2006
	<b>£'000</b>	£'000
<b>Company: transactions with subsidiaries</b>		
<b>Purchases:</b>		
Parent Company expenses paid by subsidiary	<b>(540)</b>	(152)
<b>Transactions involving Parent Company shares:</b>		
Proceeds of Parent Company share issues received by subsidiary	-	160
Proceeds of subsidiary employee share sales received by parent	<b>(384)</b>	(232)
<b>Cash management:</b>		
Cash loaned by parent to subsidiary	<b>696</b>	707
<b>Acquisition in the year:</b>		
Loan to subsidiary acquired with Oxxon Therapeutics Limited	<b>1,700</b>	-

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:

	<b>2007</b>	2006
	<b>£'000</b>	£'000
<b>Company: year end balance of loan</b>		
<b>Loan to subsidiary</b>	<b>109,723</b>	108,251

In addition to the transactions above, options over the Company's shares have been awarded to employees of subsidiary companies. In accordance with IFRIC 11, the Company has treated the awards as a capital contribution to the subsidiaries, resulting in an increase in the cost of investment of £1,685,000 (2006: £857,000).

There were no transactions (2006: none) with Oxxon Therapeutics Limited or with the dormant joint venture ViroTech Limited.

As described in the Directors' Remuneration Report, prior to 2007 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. This agreement came to an end in 2007. In addition to Directors' fees a total of £783 (2006: £6,329) 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 cost comprising salary, national insurance and pension was £74,000 (2006: £62,000).