

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Turnover	2	502	374
Research and development costs		(9,190)	(10,773)
Administrative expenses		(2,760)	(2,922)
Exceptional administrative expenses	3	(1,568)	-
Total administrative expenses		(4,328)	(2,922)
Operating expenses		(13,518)	(13,695)
Other operating income: government and other grants receivable		364	669
Net operating expenses		(13,154)	(13,026)
Loss before interest and exceptional item		(11,084)	(12,652)
Exceptional item		(1,568)	-
Operating loss		(12,652)	(12,652)
Interest and similar items	5	1,158	711
Loss on ordinary activities before taxation	2,6	(11,494)	(11,941)
Tax credit on loss on ordinary activities	7	884	1,203
Loss for the year	20	(10,610)	(10,738)
Basic loss and diluted loss per ordinary share	9	(2.9p)	(3.9p)

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

There is no difference between the loss on ordinary activities before taxation and the loss for the years stated above, and their historical cost equivalents.

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

	Note	2004 £'000	2003 £'000
Loss for the financial year		(10,610)	(10,738)
Currency translation differences on foreign currency net investments	20	(47)	(179)
Total recognised losses for the year		(10,657)	(10,917)

BALANCE SHEETS

AT 31 DECEMBER 2004

	Notes	Group		Company	
		2004 £'000	2003 £'000	2004 £'000	2003 £'000
Fixed assets					
Intangible assets	10	86	135	-	-
Tangible assets	11	1,237	2,331	-	-
Investments	12	-	26	72,397	72,246
		1,323	2,492	72,397	72,246
Current assets					
Debtors	13	3,303	2,386	15	2
Investments		22,377	31,700	-	-
Cash at bank and in hand		40	136	-	-
		25,720	34,222	15	2
Creditors: amounts falling due within one year	14	(1,741)	(1,501)	(49)	(39)
Net current assets/(liabilities)		23,979	32,721	(34)	(37)
Total assets less current liabilities		25,302	35,213	72,363	72,209
Provisions for liabilities and charges	16	(464)	-	-	-
Net assets		24,838	35,213	72,363	72,209
Capital and reserves					
Called-up share capital	18	3,721	3,703	3,721	3,703
Share premium account	20	78,309	78,045	78,309	78,045
Other reserve	20	711	711	-	-
Profit and loss account (deficit)	20	(57,903)	(47,246)	(9,667)	(9,539)
Equity shareholders' funds	21	24,838	35,213	72,363	72,209

The financial statements on pages 35 to 49 were approved by the board of directors on 18 March 2005 and were signed on its behalf by:

Professor A J Kingsman
Chief executive officer

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Operating activities			
Net cash outflow from continuing operating activities (reconciliation to operating loss below)		(10,976)	(11,488)
Returns on investments and servicing of finance			
Interest received		1,096	638
Taxation			
UK R&D tax credit received		400	1,259
Overseas tax received		-	8
		400	1,267
Capital expenditure			
Purchase of tangible fixed assets		(316)	(51)
Sale of tangible fixed assets		110	-
		(206)	(51)
Net cash outflow before management of liquid resources and financing		(9,686)	(9,634)
Management of liquid resources			
Transfer to deposit accounts		(1,624)	(12,368)
Transfer to current accounts		10,947	1,329
	22	9,323	(11,039)
Financing			
Issue of ordinary shares	21	301	22,215
Expenses of share issue	21	(20)	(1,695)
Net cash inflow from financing		281	20,520
Decrease in cash in the year	22	(82)	(153)

Reconciliation of operating loss to net cash outflow from operating activities

		2004 £'000	2003 £'000
Continuing activities			
Operating loss		(12,652)	(12,652)
Amortisation of intangible fixed assets		49	50
Depreciation of tangible fixed assets		1,040	943
Loss on disposal of fixed assets		260	71
Provision for impairment of fixed asset investments		26	-
Non-cash consideration for acquired intellectual property rights		-	79
Decrease in debtors due after more than one year		32	-
Increase in trade debtors		(162)	-
Increase in other debtors and other tax receivable		(203)	(232)
Increase in prepayments and accrued income		(61)	(18)
Increase/(decrease) in trade creditors		20	(74)
Increase in other taxation and social security		24	31
Increase in accruals and deferred income		181	360
Onerous lease provision		464	-
Exchange rate differences		6	(46)
Net cash outflow from continuing operating activities		(10,976)	(11,488)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention.

BASIS OF CONSOLIDATION

The consolidated profit and loss account and group balance sheet include the accounts of the company and its subsidiary undertakings made up to 31 December. Intra-group sales and profits are eliminated fully on consolidation.

TANGIBLE FIXED ASSETS AND INTANGIBLE FIXED ASSETS

The cost of tangible and intangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value 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	10-20 or the remaining lease term if shorter
Computer equipment	33
Office and laboratory equipment, fixtures and fittings	20

Intangible fixed assets, relating to intellectual property rights acquired by the group at inception, are amortised on a straight line basis over their useful economic life which has been estimated by the directors to be 10 years, with provision made for any impairment. Expenditure relating to other intellectual property rights, including those generated by the group, is written off to the profit and loss account in the year in which it is incurred, as this expenditure relates entirely to the group's research and development activities.

FIXED ASSET INVESTMENTS

Fixed asset investments are carried at cost less any provision made for impairment.

FINANCIAL INSTRUMENTS

The group's financial instruments, as defined in FRS 13, comprise cash and liquid resources, together with debtors and creditors arising directly from operations and the onerous lease provision.

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 balances are sufficient to finance its current operations. Cash balances are mainly held on short and medium-term deposit with quality financial institutions, 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. Numerical disclosures relating to these are given in note 15 to the financial statements. 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 no hedging of foreign currency cash outflows is undertaken. These policies have been applied consistently throughout the year.

ONEROUS LEASE PROVISION

When leasehold properties become redundant or excess space arises in those properties, the group provides for all costs to the end of the lease or the anticipated date of surrender of the lease, net of anticipated income. Such provisions are then discounted.

FOREIGN CURRENCIES

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction.

Assets and liabilities in the accounts of the overseas subsidiary are translated at the rate of exchange ruling at the balance sheet date and the results of the subsidiary are translated at the average rate for the year.

The exchange differences arising on the translation of the overseas subsidiary are taken directly to reserves. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

TURNOVER

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

OPERATING LEASES

Costs in respect of operating leases are charged on a straight line basis over the lease term.

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the period in which it is incurred.

GOVERNMENT AND OTHER GRANTS

Income from government and other grants is recognised in the period in which the expenditure to which the grants relate is incurred.

PENSION 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 year (see note 4) represents amounts payable by the group to the funds.

DEFERRED TAXATION

Deferred taxation is provided on a full provision basis on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that the tax will arise. The deferred taxation balance has been measured at the rate expected to apply when timing differences reverse. Deferred tax assets are recognised to the extent that it is regarded more likely than not they will be recovered.

RELATED PARTIES

FRS 8 "Related Party Disclosures" requires the disclosure of the details of material transactions between the reporting entity and any related parties. The company has adopted the provisions of FRS 8. However transactions between the company and its subsidiaries have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(a).

2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and loss on ordinary activities before taxation are derived entirely from its principal activity. The group's principal operating location is in the United Kingdom, but there is also an operating unit in the United States of America.

Turnover Geographical analysis	2004		2003	
	Turnover by destination £'000	Turnover by origin £'000	Turnover by destination £'000	Turnover by origin £'000
United Kingdom	35	502	29	374
Rest of Europe	57	-	-	-
North America	410	-	345	-
	502	502	374	374

Loss on ordinary activities before taxation Geographical analysis	2004	2004	2003
	After exceptional item £'000	Before exceptional item £'000	£'000
United Kingdom	8,906	8,886	8,693
Rest of Europe	-	-	-
North America	2,588	1,040	3,248
	11,494	9,926	11,941

Net assets Geographical analysis	2004	2003
	£'000	£'000
United Kingdom	2,689	2,216
Rest of Europe	-	-
North America	(268)	1,161
Net operating assets	2,421	3,377
Investments and cash at bank and in hand	22,417	31,836
	24,838	35,213

3 EXCEPTIONAL ITEM: REORGANISATION OF US ACTIVITIES

In January 2004, following a review of operations and resources, the group closed its US process development and manufacturing unit. A business development and intellectual property management capability has been retained, and the US subsidiary has sublet its leasehold facility and relocated to new premises. Provision has been made for those reorganisation costs not yet incurred at 31 December 2004 (see note 16).

Exceptional costs of £1,568,000 included in the accounts for the year ended 31 December 2004 comprise £226,000 loss on disposal of fixed assets, £309,000 write down of tangible fixed assets included in depreciation of fixed assets, £578,000 onerous lease charge, £227,000 severance payments and £228,000 other reorganisation costs. The cash outflow attributable to the exceptional item in the year ended 31 December 2004, net of the proceeds of sale of fixed assets, was £407,000.

4 EMPLOYEES AND DIRECTORS

The average monthly number of persons (including executive directors) employed by the group during the year was:

By activity	2004 Number	2003 Number
Office and management	10	13
Research and development	52	59
	62	72

Staff costs (for the above persons)	2004 £'000	2003 £'000
Wages and salaries	3,466	3,899
Social security costs	336	310
Other pension costs	201	190
	4,003	4,399

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 report of the remuneration committee on pages 29 to 33, which forms part of these financial statements.

5 INTEREST AND SIMILAR ITEMS

	2004 £'000	2003 £'000
Bank interest receivable	1,171	711
Unwinding of discount in lease provision	(13)	-
	1,158	711

6 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £'000	2003 £'000
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of intangible fixed assets	49	50
Depreciation charge for the year on owned tangible fixed assets	1,040	943
Loss on disposal of tangible fixed assets	260	71
Provision for impairment of fixed asset investment	26	-
Redundancy costs	227	82
Auditors' remuneration for:		
Audit (Company £18,000; 2003: £16,000)	36	38
Other services to the company and its subsidiaries ¹	60	45
Hire of plant and machinery - operating leases	24	38
Hire of other assets - operating leases	1,026	1,021
Rental income from sublessee	64	-

¹ Fees in respect of other services relate to remuneration paid to PricewaterhouseCoopers LLP, for advice relating to the group's UK statutory accounts of £24,000 and for tax compliance and advisory work of £36,000. In addition, in 2003, fees of £137,000 inclusive of VAT, charged to the share premium account, were paid to PricewaterhouseCoopers LLP relating to the rights issue in October 2003 and the issue of shares to EntreMed Inc. in September 2003.

7 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

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 2004 represents the credit receivable by the group for the year. These amounts have not yet been agreed with the relevant tax authorities.

Group	2004 £'000	2003 £'000
Current tax		
United Kingdom corporation tax research and development credit	(1,000)	(1,200)
Overseas taxation	1	-
	(999)	(1,200)
Prior years' tax adjustments		
United Kingdom corporation tax research and development credit	115	3
Overseas taxation	-	-
Total current tax net credit	(884)	(1,197)
Deferred tax		
Reversal of timing differences: overseas tax	-	(6)
Total deferred tax (note 17)	-	(6)
Tax credit on loss on ordinary activities	(884)	(1,203)

The tax credit for the year is lower (2003: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	(11,494)	(11,941)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(3,448)	(3,582)
Effects of:		
Depreciation for the period in excess of capital allowances	330	214
Expenses not deductible for tax purposes (permanent differences)	55	24
R&D relief 50% mark-up on expenses	(629)	(898)
Other timing differences	228	6
Difference in rate re R&D tax credits	875	1,050
Tax losses carried forward to future periods	1,715	1,968
Tax losses utilised in the year	(132)	(24)
Overseas tax rate differences	7	42
Prior year adjustment	115	3
Current tax credit for the year	(884)	(1,197)

At 31 December 2004, the group had tax losses to be carried forward of approximately £38.4 million (2003: £32.6 million) of which £18.7 million has been agreed with the revenue authorities. Of the group tax losses, £38.4 million (2003: £32.1 million) arose in the United Kingdom.

8 LOSS FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the company's profit and loss account has not been included in these financial statements. The company's loss for the financial year was £128,000 (2003: profit of £36,685,000, which included a credit of £36,770,000 partly reversing a provision for impairment of the value of the company's investment in its subsidiaries: see also note 12).

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 371,457,455 in issue during the year ended 31 December 2004 (2003: 273,876,723).

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 INTANGIBLE FIXED ASSETS

Group	Intellectual property rights £'000
Cost at 1 January 2004 and 31 December 2004	492
Aggregate amortisation	
At 1 January 2004	357
Charge for the year	49
At 31 December 2004	406
Net book amount at 31 December 2004	86
Net book amount at 31 December 2003	135

11 TANGIBLE FIXED ASSETS

Group	Short leasehold improvements £'000	Office equipment, fixtures and fittings £'000	Computer equipment £'000	Laboratory equipment £'000	Total £'000
Cost					
At 1 January 2004	2,238	231	325	2,871	5,665
Additions	-	3	37	299	339
Disposals	-	(147)	(53)	(653)	(853)
Exchange differences	(25)	(1)	(1)	(23)	(50)
At 31 December 2004	2,213	86	308	2,494	5,101
Accumulated depreciation					
At 1 January 2004	1,195	154	254	1,731	3,334
Charge for the year	591	22	61	366	1,040
Disposals	-	(117)	(47)	(319)	(483)
Exchange differences	(18)	-	(1)	(8)	(27)
At 31 December 2004	1,768	59	267	1,770	3,864
Net book amount at 31 December 2004					
	445	27	41	724	1,237
Net book amount at 31 December 2003	1,043	77	71	1,140	2,331

12 FIXED ASSET INVESTMENTS

Group	Shares in joint ventures £'000
Cost at 1 January 2004 and 31 December 2004	
	26
Amount written off at 1 January 2004	-
Provision for impairment in the year	26
Amount written off at 31 December 2004	26
Net book amount at 31 December 2004	
	-
Net book amount at 31 December 2003	26

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 2004 the share capital and reserves of ViroTech Limited were approximately £61,000 (2003: £55,000). However, as there is currently no agreed business plan for ViroTech Limited, the directors have written off the group's investment. Due to the immaterial size of the joint venture it had been included in the group accounts as a fixed asset investment.

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2004	2,476	78,885	81,361
Additions	-	151	151
At 31 December 2004	2,476	79,036	81,512
Amounts written off			
At 1 January 2004 and 31 December 2004	-	9,115	9,115
Net book amount at 31 December 2004	2,476	69,921	72,397
Net book amount at 31 December 2003	2,476	69,770	72,246

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

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 FRS 11, 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 2004.

At 31 December 2003, the company had two dormant subsidiaries, Chemileon Limited and Epigene Limited. Chemileon Limited had not traded since incorporation, and had net assets at 31 December 2003 of £1. Epigene Limited had net liabilities at 31 December 2003 of £9,000. In 2004, the two dormant subsidiaries were dissolved, at the request of Oxford BioMedica plc.

13 DEBTORS

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Amounts falling due after more than one year				
Other debtors - rent deposit	214	263	-	-
Amounts falling due within one year				
Trade debtors	162	-	-	-
Other debtors	619	374	-	-
Corporation tax receivable	1,685	1,200	-	-
Other tax receivable	124	107	-	-
Prepayments and accrued income	499	442	15	2
	3,089	2,123	15	2
Total debtors	3,303	2,386	15	2

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Trade creditors	351	310	-	-
Overseas taxation	-	-	-	-
Other taxation and social security	219	195	-	-
Accruals and deferred income	1,171	996	49	39
	1,741	1,501	49	39

15 FINANCIAL INSTRUMENTS

Details of the group's objectives and policies with respect to financial instruments are given in note 1 to the financial statements. The numerical disclosures in this note deal with the financial assets and liabilities defined in FRS 13 as financial instruments. Except with respect to disclosures regarding currency risk, short term debtors and creditors have been excluded from the financial instruments disclosure.

INTEREST RATE RISK PROFILE OF FINANCIAL ASSETS

	2004				2003			
	Floating rate £'000	Fixed rate £'000	Non interest bearing £'000	Total £'000	Floating rate £'000	Fixed rate £'000	Non interest bearing £'000	Total £'000
Sterling	-	21,793	(3)	21,790	-	30,086	(60)	30,026
Euro	-	171	1	172	-	258	-	258
US Dollars	(433)	413	226	206	14	1,356	445	1,815
	(433)	22,377	224	22,168	14	31,700	385	32,099
of which:								
Cash at bank and in hand	31	-	10	41	14	-	122	136
Investments	-	22,377	-	22,377	-	31,700	-	31,700
Other debtors (rent deposit)	-	-	214	214	-	-	263	263
Onerous lease provision	(464)	-	-	(464)	-	-	-	-
	(433)	22,377	224	22,168	14	31,700	385	32,099

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.

	2004			2003		
	Year end deposits Weighted average rate	Year end deposits Weighted average term	Yr. average Weighted average rate	Year end deposits Weighted average rate	Year end deposits Weighted average term	Yr. average Weighted average rate
Sterling	4.88%	272 days	4.51%	4.33%	271 days	3.80%
Euro	2.18%	14 days	2.20%	2.14%	31 days	2.12%
US Dollars	2.16%	63 days	1.31%	1.09%	15 days	1.33%

CURRENCY EXPOSURES

The group's functional currencies are Sterling and United States Dollars. The group held the following net foreign currency financial assets/(liabilities) in currencies other than the functional currency:

	2004				2003			
	Sterling £'000	US Dollars £'000	Euro £'000	Total £'000	Sterling £'000	US Dollars £'000	Euro £'000	Total £'000
Functional currency:								
Sterling	-	(770)	48	(722)	-	823	39	862
US Dollars	-	-	-	-	-	-	-	-
	-	(770)	48	(722)	-	823	39	862

FAIR VALUE

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

16 PROVISION FOR LIABILITIES AND CHARGES

Group	Onerous lease £'000	Deferred tax £'000
At 1 January 2004	-	-
Charged to the profit and loss account	568	-
Utilised in the year	(101)	-
Amortisation of discount	13	-
Adjustment due to change in discount rate	10	-
Exchange differences	(26)	-
At 31 December 2004	464	-

The onerous lease provision relates to the estimated rental shortfall in respect of the property in San Diego, USA, discounted at 4.55% per annum, and will be utilised over the term of the lease which is due to expire in 2012.

17 DEFERRED TAXATION

Deferred taxation provided in the financial statements, and the amount unprovided/(not recognised) of the total potential liability/(asset), are as follows. 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 at 31 December 2004 (2003: nil)

Group	Amount provided		Deferred asset not recognised	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Tax effect of timing differences				
Excess of capital allowances over depreciation	-	-	(979)	(618)
Other	-	-	(235)	(9)
Losses	-	-	(11,626)	(9,953)
	-	-	(12,840)	(10,580)

Company	Amount provided		Deferred asset not recognised	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Tax effect of timing differences due to losses	-	-	(165)	(127)

18 CALLED-UP SHARE CAPITAL

Group and Company

Authorised	2004 £'000	2003 £'000
500,000,000 (2003: 500,000,000) ordinary shares of 1p each	5,000	5,000

Allotted, called-up and fully paid	2004 £'000	2003 £'000
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Ordinary shares of 1p each

At 1 January - 370,306,199 (2003: 238,815,315) shares	3,703	2,388
Allotted on exercise of share options - 1,119,051 (2003: 1,388,950) shares	11	14
Allotted for cash to licensors of patent rights - 668,913 (2003: nil) shares	7	-
Allotted in 2003 as non-cash consideration for patent rights - 301,748 shares	-	3
Allotted in 2003 rights issue - 129,800,186 shares	-	1,298
At 31 December - 372,094,163 (2003: 370,306,199) shares	3,721	3,703

Between 15 January 2004 and 18 October 2004 the company issued 1,119,051 ordinary shares of 1p each on the exercise of share options under share option schemes for aggregate cash consideration of £190,000. There were no costs in respect of these share issues.

On 7 June 2004 the company issued 316,026 ordinary shares of 1p each to Chiron Corp. for cash at market value of 17.71p per share, raising proceeds of £56,000. At the same time, Oxford BioMedica (UK) Limited entered into a licence agreement for certain patent rights held by Chiron Corp. On 16 September 2004 the company issued 352,887 ordinary shares of 1p each to a number of US research institutions for cash at market value of 15.61p per share, raising proceeds of £55,000. At the same time, Oxford BioMedica (UK) Limited entered into a licence agreement for certain patent rights to the P450 gene used in the product MetXia. Costs of £19,000 in respect of these share issues have been charged to the share premium account.

19 OPTIONS IN SHARES OF OXFORD BIOMEDICA PLC

The company has two unapproved share option schemes. The Oxford BioMedica 1996 Share Option Plan was established to enable selected individuals who are not employees of the group to hold options to subscribe for ordinary shares. The Oxford BioMedica 1996 (No.1) Share Option Scheme relates to options granted to directors and employees. Options have also been granted to individuals (mainly employees of the company's US subsidiary BioMedica Inc) under individual option agreements.

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 2004 was as follows:

Options granted to employees (including directors) under the Oxford BioMedica 1996 (No. 1) Share Option Scheme

Number of shares	Exercise price per share	Date from which exercisable	Expiry date
2,462,813	11.0p to 32.0p	07/04/01 to 24/09/01	07/04/05 to 24/09/05
3,454,510	19.0p to 21.0p	01/04/02 to 04/10/02	01/04/06 to 04/10/06
1,210,689	60.0p to 79.0p	22/03/03 to 04/12/03	22/03/07 to 04/12/07
1,459,874	24.0p to 72.0p	05/02/04 to 03/12/04	05/02/08 to 03/12/08
2,387,306	7.0p to 39.0p	14/01/05 to 31/10/05	14/01/09 to 31/10/09
2,310,602	6.0p to 19.25p	07/03/06 to 27/10/06	07/03/10 to 27/10/10
3,112,111	16.5p to 23.0p	26/03/07 to 29/11/07	26/03/11 to 29/11/11
16,397,905			

Options granted under the Oxford BioMedica 1996 Share Option Plan

Number of shares	Exercise price per share	Date from which exercisable	Expiry date
115,989	15.0p to 20.0p	02/04/01 to 30/06/02	02/04/05 to 30/06/06
26,387	78.0p	06/11/03	06/11/07
68,607	23.0p to 27.0p	09/11/04 to 19/12/04	09/11/08 to 19/12/08
284,985	10.0p to 31.0p	02/01/05 to 06/09/05	02/01/09 to 06/09/09
495,968			

Options granted under individual contracts

Number of shares	Exercise price per share	Date from which exercisable	Expiry date
3,362,034	51.0p	25/05/02 to 02/03/04	25/05/11
661,485	28.0p to 34.0p	¹ 25/06/02 to 20/08/05	25/06/11 to 20/08/11
422,200	8.5p	¹ 02/12/03 to 02/12/06	02/12/12
211,100	53.0p	17/04/04	17/04/08
4,656,819			
21,550,692			

¹ Options granted to employees of BioMedica Inc. 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.

20 SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £'000	Other reserve ¹ £'000	Profit and loss account £'000
At 1 January 2004 - surplus/(deficit)	78,045	711	(47,246)
Share premium arising on share issues	283	-	-
Costs associated with issue of shares	(19)	-	-
Exchange differences	-	-	(47)
Loss for the year	-	-	(10,610)
At 31 December 2004 - surplus/(deficit)	78,309	711	(57,903)

¹ Represents the reserve arising from consolidation of Oxford BioMedica (UK) Limited using the merger method of accounting.

Company	Share premium account £'000	Profit and loss account £'000
At 1 January 2004 - surplus/(deficit)	78,045	(9,539)
Share premium arising on share issues	283	-
Costs associated with issue of shares	(19)	-
Loss for the year	-	(128)
At 31 December 2004 - surplus/(deficit)	78,309	(9,667)

At 31 December 2004 neither the company nor its subsidiary undertakings had reserves available for distribution (2003: nil).

21 RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Loss for the year	(10,610)	(10,738)
New share capital issued	301	22,294
Expenses of share issue	(19)	(1,696)
Exchange differences	(47)	(179)
Net (reduction in)/addition to shareholders' funds	(10,375)	9,681
Opening shareholders' funds	35,213	25,532
Closing shareholders' funds	24,838	35,213

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £'000	2003 £'000
Decrease in cash in the year	(82)	(153)
Cash (inflow)/outflow from change in liquid resources	(9,323)	11,039
Change in net funds resulting from cash flows	(9,405)	10,886
Exchange movements	(14)	(14)
Net funds at beginning of the year	31,836	20,964
Net funds at end of the year	22,417	31,836

23 ANALYSIS OF NET FUNDS

	At 1 January 2004 £'000	Cash flow £'000	Exchange movements £'000	At 31 December 2004 £'000
Cash	136	(82)	(14)	40
Liquid resources	31,700	(9,323)	-	22,377
Net funds/cash at bank and in hand	31,836	(9,405)	(14)	22,417

Liquid resources relate to bank deposits which are not immediately accessible within 24 hours without financial penalty.

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities at 31 December 2004 or at 31 December 2003. The group had no commitments for capital expenditure at 31 December 2004 (2003: £73,000).

25 PENSION COST

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 £201,000 (2003: £190,000) represents amounts payable by the group to the funds. Contributions of £22,000 (included in accruals) were payable to the funds at the year-end (2003: £18,000).

26 FINANCIAL COMMITMENTS

At 31 December 2004 the group had annual commitments under non-cancellable operating leases as follows:

	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	36	7	-	2
Expiring between two and five years inclusive	599	10	599	18
Expiring after five years	397	-	412	-
	1,032	17	1,011	20