Registered no: 5055092

PowderMed Limited

Directors' Report and Consolidated Financial Statements for the year ended 31 December 2005

Contents

Directors' report for the year ended 31 December 2005

The directors present their report and the audited consolidated financial statements of the group for the year ended 31 December 2005.

Principal activities

The group's principal activity during the year was the development of novel pharmaceutical products using powder injection technology (PMED™).

Review of business and future developments

During 2005 PowderMed Limited decided to initiate prophylactic Influenza programmes for both annual influenza and Pandemic vaccination as the highest priority projects. The Human Papilloma Project was placed on hold to reallocate cash to these projects. Significant development activities have been completed in 2005 to prepare for the conduct of three clinical studies during 2006 with an annual trivalent influenza vaccine and a pandemic H5N1 influenza vaccine. The company also completed a Phase I study in patients with recurrent HSV-2 infections and initiated a Phase I study in patients with chronic recurrent Hepatitis B Infections at four centres in South East Asia. PowderMed's partners also progressed their clinical studies: GSK completed a Phase I study in volunteers for its HIV project and the Ludwig Institute completed the patient recruitment for its Phase I oncology study with the NY ESO-1 antigen.

The company consolidated and expanded its manufacturing capabilities to meet the forecasted demand for clinical study supplies for the forthcoming year by ordering higher volume tooling for manufacturing of device components and conducting the necessary scale up and process feasibility studies with partners.

Two new US subsidiaries were incorporated and acquired during the year, PowderMed Inc. and PowderMed Vaccines Inc., neither company currently has any employees nor has traded during 2005.

For the year ended 31 December 2005, the group recorded an operating loss of £11,415,000 (2004: loss £3,753,000). The sustained loss for the year of £10,184,000 (2004: loss £3,169,000) which will be deducted from reserves. The directors do not recommend the payment of a dividend (2004: Nil). The comparatives figures relate to the period from incorporation on 25 February 2004. the company commenced trading on 14 May 2004.

Going concern

PowderMed is a research and development company which expects to incur further losses until revenues from royalty income and milestone receipts exceed expenditure on product development. As a result, the Directors believe that the Group will require further funding in due course and does not currently have sufficient cash resources for the foreseeable future.

The receipt of this additional funding is dependent upon the results of clinical trials and the agreement of investors. However, the Directors expect the Group to receive additional funds through further equity injections during the next 12 months. Accordingly, the Directors have prepared the financial statements on a going concern basis. If the Group were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, and to provide for further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities. The auditors' report on the financial statements for the year ended 31 December 2005 contains reference to the fundamental uncertainty regarding going concern.

Directors' report for the period ended 31 December 2005 (continued)

Directors and their interests

The directors who held office during the year and up to the date of signing these financial statements were:

Clive Dix
Brenda Reynolds
Mark Carthy
John Shields
Jerry Benjamin
John Beadle
Tom Daniel (resigned 11 February 2005)
Kevin Bryett (resigned 31 May 2005)
Catherine Bingham
Rolf Stahel (appointed 11 February 2005)
Adam Christie (appointed 6 April 2005)

The directors have the following interests in the Company:

	At 31 December 2005		At 31 December 2004	
	Preferred Shares	**Options for *Ordinary Shares***	Preferred Shares	Options for Ordinary Shares
Clive Dix	**200,000**	**765,000**	60,000	695,000
Brenda Reynolds	**100,000**	**545,000**	30,000	495,000
John Beadle	-	**610,000**	-	560,000
Rolf Stahel	-	**500,000**	-	-
Adam Christie	-	**425,000**	-	425,000

Since the year end there have been no changes in the directors' interests.

No directors hold any shares in any of the Company's subsidiary undertakings.

Research and Development

The Company is currently undertaking research and development into DNA immunotherapeutic products using particle mediated epidermal delivery (PMED^{TM}). The Company's primary focus is in *the therapy of antiviral diseases and cancer. A prophylactic pandemic influenza project is under* consideration following positive clinical data.

Employees

Consultation with employees or their representatives is made at all levels with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests so that all employees are aware of the financial and economic performance of the company as a whole. Communication with employees continues with regular staff briefings.

Directors' report for the year ended 31 December 2005 (continued)

Charitable Contributions

The Company made £100 (2004: £300) of contributions to charitable organisations during the year.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, except for changes arising from the adoption of new accounting standards during the year, see note 1. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

~~Secretary~~ DIRECTOR

25 April 2006

Independent auditors' report to the members of PowderMed Limited

We have audited the group and company's financial statements (the "financial statements") of PowderMed Limited for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements 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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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. 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 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.

Emphasis of matter – Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in the accounting policies section of the financial statements concerning the company's ability to continue as a going concern arising from the company's dependence on obtaining future funding. This matter indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to obtain future funding and therefore unable to continue as a going concern.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the company's affairs as at 31 December 2005 and of the group's loss and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
25 April 2006

Consolidated profit and loss account for the year ended 31 December 2005

	Note	Year ended 31 Dec 2005 £'000	Period ended 31 Dec 2004 £'000
Turnover	2	**340**	450
Research & development expenditure		**(5,801)**	(1,936)
Administrative expenses		**(5,954)**	(2,267)
Operating loss	3	**(11,415)**	(3,753)
Interest receivable and similar income	6	**316**	110
Loss on ordinary activities before taxation	2	**(11,099)**	(3,643)
Tax credit on loss on ordinary activities	7	**915**	474
Loss for the financial year		**(10,184)**	(3,169)
Dividends		**-**	-
Retained loss for the financial year	16	**(10,184)**	(3,169)

All amounts relate to continuing operations.

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

Statement of group total recognised gains and losses

	Year ended 31 Dec 2005 £'000	Period ended 31 Dec 2004 £'000
Loss for the financial year/period	**(10,184)**	(3,169)
Exchange adjustments in reserves	**23**	(10)
Total recognised gains and losses in the year	**(10,161)**	(3,179)

Balance sheets as at 31 December 2005

		2005		2004	
		Group	**Company**	Group	Company
	Note	**£'000**	**£'000**	£'000	£'000
Fixed assets					
Goodwill	8	**-**	**-**	(23)	-
Tangible assets	9	**482**	**482**	231	231
Investments	10	**-**	**-**	-	-
		482	**482**	208	231
Current assets					
Stock	11	**26**	**26**	3	3
Debtors	12	**1,636**	**1,636**	1,052	1,110
Investments	13	**6,600**	**6,600**	2,200	2,200
Cash at bank and in hand		**557**	**557**	335	170
		8,819	**8,819**	3,590	3,483
Creditors: amounts falling due within one year	14	**(2,572)**	**(2,834)**	(1,296)	(1,494)
Net current assets		**6,247**	**5,985**	2,294	1,989
Net assets		**6,729**	**6,467**	2,502	2,220
Capital and reserves					
Called up share capital	15	**230**	**230**	69	69
Share premium	16	**19,839**	**19,839**	5,612	5,612
Profit and loss reserve	16	**(13,340)**	**(13,602)**	(3,179)	(3,461)
Total equity shareholders' funds		**6,729**	**6,467**	2,502	2,220

The financial statements on pages 6 to 19 were approved by the board of directors on 25 April 2006 and were signed on its behalf by

Director

Consolidated cash flow statement for the year ended 31 December 2005

		2005		2004	
	Note	£'000	£'000	£'000	£'000
Net cash (outflow) from operating activities	21		**(9,983)**		(3,647)
Returns on investments and servicing of finance					
Interest received		**289**		107	
Net cash inflow from returns on investments and servicing of finance			**289**		107
Tax received			**300**		-
Capital expenditure and financial *investment*					
Purchase of tangible fixed assets		**(395)**		(246)	
Sale of tangible fixed assets		**-**		358	
Net cash outflow from capital expenditure and financial investment			**(395)**		112
Acquisitions	23				
Net cash acquired with subsidiary undertakings		**-**		292	
Net cash inflow from acquisitions			**-**		292
Net cash (outflow) before use of liquid resources and financing			**(9,788)**		(3,136)
Management of liquid resources					
Increase in short-term deposits with banks			**(4,400)**		(2,200)
Financing					
Issue of ordinary share capital		**14,388**		5,681	
Net cash inflow from financing			**14,388**		5,681
Increase in cash	22		**199**		345

Notes to the financial statements for the year ended 31 December 2005

1. Accounting Policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year (except as noted in changes of accounting policy paragraph), are set out below:

Changes of Accounting Policy

The company has adopted FRS 25, "Financial instruments: disclosure and presentation", in these financial statements. The adoption of this standard represents a change in accounting policy although this has not had any impact in the financial statements.

Basis of preparation

The Group financial statements incorporate the results of PowderMed Limited and its subsidiary undertakings. The results of subsidiary undertakings acquired during the year are included from the effective date of acquisition. All inter-company balances and transactions have been eliminated.

In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account for PowderMed Limited has not been presented. In the opinion of the directors the Company has no ultimate controlling party.

Going concern

PowderMed is a research and development company which expects to incur further losses until revenues from royalty income and milestone receipts exceed expenditure on product development. As a result, the Directors believe that the Group will require further funding in due course and does not currently have sufficient cash resources for the foreseeable future.

The receipt of this additional funding is dependent upon the results of clinical trials and the agreement of investors. However, the Directors expect the Group to receive additional funds through further equity injections during the next 12 months. Accordingly, the Directors have prepared the financial statements on a going concern basis. If the Group were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, and to provide for further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities. The auditors' report on the financial statements for the year ended 31 December 2005 contains reference to the fundamental uncertainty regarding going concern.

Turnover

License fees and milestone payments from collaborative research agreements are spread on a contract by contract basis, based upon the cost of the efforts incurred to date as a proportion of the total expected research and development cost, but limited to the non-refundable revenue amounts received or which have become due and payable.

Turnover for the supply of goods and services to external customers represents the net invoice value, after the deduction of standard discounts given at the point of sale less accruals for estimated future rebates and returns. Value added tax and other sales taxes are excluded from revenue. Turnover for the supply of goods to external customers is recognised on dispatch of the goods against orders received, except where companies within the group export goods to other countries, in which case it is recognised on delivery of the goods. Where income represents the recharge of costs incurred directly on behalf of third parties these amounts are not recognised as turnover.

Notes to the financial statements for the year ended 31 December 2005 (continued)

1. Accounting Policies

Research and Development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost less a charge for depreciation. Depreciation is calculated so
as to write off the cost on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

- Laboratory Equipment – 5 years
- Fixtures and fittings – 5 years
- Computer equipment – 3 years

The net book value of fixed assets is written down to estimated recoverable amount, should any impairment be identified.

Goodwill

On the acquisition of a business or intangible assets, fair values are attributed to the net assets acquired. Any goodwill arising, representing the excess of the fair value of the purchase consideration over the fair value of the identifiable net assets acquired is capitalised and amortised over its estimated useful economic life, subject to a maximum of 20 years. Where the fair value acquired is less than the consideration then negative goodwill arises and is accounted for in line with FRS 10. Negative goodwill is allocated first to intangible fixed assets and then tangible fixed assets acquired with ongoing use in the business and any excess is released to the profit and loss account over a period that represents the useful economic benefit.

Investments

Investments in subsidiary undertakings are stated at cost plus incidental expenses less any provision for impairment. Impairment reviews are carried out annually, where there is an indication that the carrying value of the investment may be impaired.

Stocks

Current assets, including inventory, are carried at the lower of cost and net realisable value. Provisions are only made against current assets on a specific basis, or where there is sufficient historical evidence to support a general provision.

Pensions

The Group operates defined contribution pension schemes in a number of its subsidiaries. Employer's contributions are charged to the profit and loss account as they are incurred. The group has no obligation to the pension scheme beyond the payment of contributions and does not offer any other post retirement benefits.

Notes to the financial statements for the year ended 31 December 2005 (continued)

1. Accounting Policies

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Foreign currencies

Transactions denominated in foreign currencies are posted to the profit and loss account at the monthly rate. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate ruling on the balance sheet date. Exchange differences are included in the profit and loss account.

The accounts of overseas subsidiary undertakings are translated into sterling in the consolidated accounts. Profit and loss account items are translated at the average rate for the year. Assets and liabilities are translated at the rate of exchange ruling on the balance sheet date. Exchange differences arising on the retranslation of opening assets and liabilities are taken directly to reserves.

2. Segmental reporting

The group's activities consist solely of pharmaceutical research and development. Income arises from research collaborations and is considered to only comprise one business segment.

The geographical segmented analysis is provided below.

	Turnover 2005 £'000	Turnover 2004 £,000
United Kingdom	340	92
Rest of World	-	358
	340	450

The turnover analysis is based on the country in which the order is received. If it were based on the country in which the customer is based, there would be no difference.

Notes to the financial statements for the year ended 31 December 2005 (continued)

3. Operating loss

Operating loss is stated after charging/(crediting):

	2005 £'000	2004 £'000
Depreciation of owned tangible fixed assets	**144**	55
Amortisation of negative goodwill	**(23)**	(292)
Operating lease charges - other	**157**	84
Foreign exchange losses	**48**	7
Auditors' remuneration		
- group audit services provided by PricewaterhouseCoopers LLP	**16**	19
- non-audit services provided by PricewaterhouseCoopers LLP	**32**	12

The audit fee for the Company is £16k (2004: £19k).

The non-audit services provided by PricewaterhouseCoopers LLP comprise mainly taxation services and accounting advice for the opening balance sheet of the group (prior to the appointment as auditor).

4. Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	807	367

During the year the company made contributions totalling £30k (2004: £15k) for 4 (2004: 3) directors to the group defined contribution pension scheme.

The emoluments of the highest paid director were:

	2005 £'000	2004 £'000
Aggregate emoluments	**236**	141
Contributions to defined contribution pension scheme	**9**	6

5. Employee Information

	2005 £'000	2004 £'000
Wages and salaries	**2,466**	1,542
Social security costs	**242**	120
Other pension costs	**97**	50
	2,805	1,712

Notes to the financial statements for the year ended 31 December 2005 (continued)

5. Employee Information

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

	2005 Number	2004 Number
Research & Development	**26**	35
General & Administration	**9**	8
	35	43

6. Interest receivable and similar income

	2005 £'000	2004 £'000
Interest receivable on cash and short term investments	**316**	110

7. Taxation on the loss for the year

	2005 £'000	2004 £'000
Current tax:		
Research and Development Tax Credit	**(915)**	(474)
Tax on loss on ordinary activities	**(915)**	(474)

No liability to UK corporation tax arises during the year. In accordance with the Finance Act 2000 in respect of Research and Development incentives, the Company has recognised a £915,000 (2004: £474,000) Research and Development Tax Credit relating to the year ended 31 December 2005. The credit is expected to be received in the year ended 31 December 2006.

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

	2005 £'000	2004 £'000
loss on ordinary activities before tax	**(11,099)**	(3,643)
Loss on ordinary activities multiplied by UK tax rate 30% (2004: 30%)	**(3,331)**	(1,093)
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	**(769)**	(87)
Accelerated capital allowances and other timing differences	**2,384**	587
Research and Development Tax Credits receivable at 24% compared with 30% tax rate	**801**	119
Current tax credit	**(915)**	(474)

The group has a net unrecognised deferred tax asset of £2,915,000 (2004: £587,000) and the Company £,915,000 (2004: £587,000) primarily consisting of tax losses. The asset is not recognised, as the directors of the Company consider that it is more likely than not that the asset will not crystallise in the foreseeable future.

Notes to the financial statements for the year ended 31 December 2005 (continued)

8. Negative goodwill

Group	£'000
Cost	
At 31 December 2004 and 31 December 2005	(315)
Accumulated amortisation	
At 31 December 2004	292
Credit for the year	23
At 31 December 2005	**315**
Net book amount	
At 31 December 2005	**-**
At 31 December 2004	(23)

The company has no negative goodwill.

9. Tangible assets

Group	Laboratory Equipment £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
Cost				
At 31 December 2004	224	1	61	286
Additions	268	70	57	395
At 31 December 2005	**492**	**71**	**118**	**681**
Accumulated depreciation				
At 31 December 2004	45	-	10	55
Charge for the year	110	6	28	144
At 31 December 2005	**155**	**6**	**38**	**199**
Net book amount				
At 31 December 2005	**337**	**65**	**80**	**482**
At 31 December 2004	179	1	51	231

Company	Laboratory Equipment £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
Cost				
At 31 December 2004	209	1	61	271
Additions	268	70	57	395
At 31 December 2005	**477**	**71**	**118**	**666**
Accumulated depreciation				
At 31 December 2004	30	-	10	40
Charge for the year	110	6	28	144
At 31 December 2005	**140**	**6**	**38**	**184**
Net book amount				
At 31 December 2005	**337**	**65**	**80**	**482**
At 31 December 2004	179	1	51	231

Notes to the financial statements for the year ended 31 December 2005 (continued)

10. Investments - fixed assets

Company	Subsidiary undertakings £
Cost at 31 December 2004	2
Additions	6
At 31 December 2005	**8**

The Company held the following subsidiary undertakings at 31 December 2005, all of which are directly held except PowderJect Therapeutics (a subsidiary of PowderJect Vaccines Inc) and PowderMed Vaccines Inc (a subsidiary of PowderMed Inc):

	***Country of registration* or incorporation**
PowderJect Research Limited	United Kingdom
PowderJect Vaccines Inc	United States
PowderJect Therapeutics	United States
PowderMed Inc	United States
PowderMed Vaccines Inc	United States

All of the subsidiary undertakings are 100% owned and included in the consolidation. The principal activity of all the subsidiary undertakings is Pharmaceutical research and development. The companies are dormant or are in the process of becoming dormant.

During the year a small investment, owned by PowderJect Research Limited was sold for £6k, which is included in the consolidated Profit and Loss account. This investment was not previously recognised in the Balance Sheet of the Group. PowderJect research Limited continues to own a minor investment of 2,345 shares but as New Opportunities Investment Trust Plc is under voluntary liquidation, no value has been attributed to these shares.

On 12 June 2005 the company incorporated and acquired the entire share capital of PowderMed *Inc. for $10. This company, in turn, incorporated and acquired the entire share capital of* PowderMed Vaccines Inc. for $10.

11. Stocks

	2005		*2004*	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Raw materials and consumables	**26**	**26**	3	3

12. Debtors

	2005		2004	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade debtors	**110**	**110**	234	136
Amount owed by group undertaking	**-**	**-**	-	156
Other debtors	**224**	**224**	145	145
Corporation tax recoverable	**1,089**	**1,089**	474	474
Prepayments and accrued income	**213**	**213**	199	199
	1,636	**1,636**	1,052	1,110

The amount due from subsidiary undertakings was interest free and has no fixed repayment date.

Notes to the financial statements for the year ended 31 December 2005 (continued)

13. Investments

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Short term bank deposits	**6,600**	**6,600**	2,200	2,200

14. Creditors: amounts falling due within one year

	2005 Group £'000	2005 Company £'000	2004 Group £'000	2004 Company £'000
Trade creditors	**1,187**	**1,187**	652	652
Amount due to group undertaking	-	**262**	-	198
Taxation and social security	**88**	**88**	68	68
Other creditors	**20**	**20**	35	35
Accruals and deferred income	**1,277**	**1,277**	541	541
	2,572	**2,834**	1,296	1,494

The amount due to subsidiary undertaking is interest free and has no fixed repayment date.

15. Called up share capital

	2005 Number	2005 £	2004 Number	2004 £
Authorised				
Ordinary shares of £0.01 each	**5,000,000**	**50,000**	2,900,000	29,000
B Ordinary shares of £0.01 each	**2,500,000**	**25,000**	2,500,000	25,000
Preferred shares of £0.01 each	**20,530,000**	**205,300**	20,530,000	205,300
		280,300		259,300
Allotted and fully paid				
Ordinary shares of £0.01 each	-	-	-	-
B Ordinary shares of £0.01 each	**2,500,000**	**25,000**	750,000	7,500
Preferred shares of £0.01 each	**20,530,000**	**205,300**	6,159,000	61,590
		230,300		69,090

On 27 January 2005, 500,000 B Ordinary Shares were issued at par, and 4,106,000 preferred shares were issued at £1 per share.

On 29 June 2005 1,250,000 B Ordinary Shares were issued at par, and 10,265,000 preferred shares were issued at £1 per share.

All of the shares have the same voting rights but, on liquidation, the preferred shares rank highest and the B Ordinary shares rank above the Ordinary shares.

Notes to the financial statements for the year ended 31 December 2005 (continued)

16. Reserves

Group	Share premium £'000	Profit and loss reserve £'000
At 1 January 2005	5,612	(3,179)
Issue of shares	14,227	-
Loss for the financial period	-	(10,184)
Exchange adjustments in reserves	-	23
31 December 2005	**19,839**	**(13,340)**

Company	Share premium £'000	Profit and loss reserve £'000
At 31 December 2004	5,612	(3,461)
Issue of shares	14,227	-
Loss for the financial period	-	(10,141)
31 December 2005	**19,839**	**(13,602)**

17. Reconciliation of movements in shareholders' funds

	2005		2004	
	Group £'000	**Company £'000**	Group £'000	Company £'000
At 1 January	**2,502**	**2,220**	-	-
Issue of share capital	**14,388**	**14,388**	6,166	6,166
Share issue expenses	**-**	**-**	(485)	(485)
loss for the year	**(10,184)**	**(10,141)**	(3,169)	(3,461)
Exchange adjustments in reserves	**23**	**-**	(10)	-
Shareholders' funds at 31 December	**6,729**	**6,467**	2,502	2,220

18. Contingent Liabilities

The group has no contingent liabilities.

19. Pension Commitments

The group operates a defined contribution scheme in the United Kingdom. The contributions to the scheme during the year were £97k (2004: £50k). An accrual of £20k (2004: £35k) is included in the balance sheet of both the Company and the Group.

Notes to the financial statements for the year ended 31 December 2005 (continued)

20. Financial commitments

At 31 December 2005 the group had the following annual commitments under non-cancellable operating leases expiring:

	Land and buildings	
	2005	2004
	£'000	£'000
Within one year	-	-
Within two to five years	**191**	191
After five years	-	-
	191	191

21. Cash flow from operating activities

Reconciliation from operating loss to net cash (outflow) from operating activities:

	2005	2004
	£'000	£'000
Operating loss	**(11,415)**	(3,753)
Depreciation	**144**	55
Amortisation	**(23)**	(292)
(Increase) in stock	**(23)**	(3)
Decrease/(Increase) in debtors	**58**	(322)
Increase in creditors	**1,276**	668
Net cash (outflow) from operating activities	**(9,983)**	(3,647)

22. Reconciliation of increase in cash to net debt

	£'000
Net cash at 31 December 2004	2,535
Increase in cash	200
Increase in short-term deposits with banks	4,400
Exchange adjustments	22
Total cash at 31 December 2005	**7,157**
Net cash at 31 December 2005	**7,157**

The movement in net cash can be reconciled to the balance sheet as follows:

	As at 31 Dec 2004 £'000	Cash flow £'000	Exchange movements £'000	**As at 31 Dec 2005 £'000**
Cash in hand and at bank	335	199	23	**557**
Short-term deposits with banks	2,200	4,400	-	**6,600**
Net cash	**2,535**	**4,599**	**23**	**7,157**

Notes to the financial statements for the year ended 31 December 2005 (continued)

23. Acquisitions

Prior year

On 14 May 2004 the Company acquired a part of the business formerly known as PowderJect Technologies Ltd from Chiron Corporation Inc, comprising business assets in the United Kingdom and shares in subsidiary undertakings in USA. The total acquisition price was £1.

On the 19 November 2004, the company bought the entire share capital of PowderJect Research Limited for £1. No net assets were acquired and no fair value adjustments have been booked. The company has been dormant for the year and is expected to remain dormant for the foreseeable future.

Current year

On 12 June 2005 the company incorporated and acquired the entire share capital of PowderMed Inc for $10. This company, in turn, incorporated and acquired the entire share capital of PowderMed Vaccines Inc for $10.

24. Related party disclosure

The company has taken advantage of the exemption under the terms of FRS 8 from disclosing related party transactions with entities that are part of the PowderMed Limited group.

During the year the company received services worth £9,358 from Bioindustry Association of which £88 was payable at the year ended 31 December 2005. One of the directors of the company is also a director of Bioindustry Association.

25. Copies of accounts

Copies of the PowderMed Limited consolidated financial statements can be obtained from The Company Secretary, PowderMed Limited, Park Gate, 25 Milton Park, Oxford OX14 4SH.

26. Post Balance Sheet Events

There are no post balance sheet events.