

**THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

**THE EDWARD JENNER INSTITUTE
FOR VACCINE RESEARCH**

Company Number 3079818
Charity Number 1051079

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2006**

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**THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

Principal Address and Registered Office

The Edward Jenner Institute for Vaccine Research
Compton
Newbury
Berkshire RG20 7NN

LIST of ADVISORS

AUDITORS

Baker Tilly
City Plaza
Temple Row
Birmingham B2 5AF

BANKERS

HSBC BANK plc
1 Mansion House Street
Newbury
Berkshire
RG14 5ET

SOLICITORS

Paisner & Co
Bouverie House
154 Fleet Street
London EC4A 2DQ

And
Hempsons Solicitors
Hempsons House
40 Villiers Street
London WC2N 6NJ

FINANCIAL ADVISORS

Baker Tilly Financial Services Ltd
5th Floor, Exchange House
446 Midsummer Boulevard
Central Milton Keynes
Bucks MK9 2EA

INVESTMENT MANAGERS

Morgan Stanley Quilter
St Helen's
1 Undershaft
London EC3A 8BB

**THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

(Limited by Guarantee)

THE BOARD OF DIRECTORS AND THEIR INTERESTS

Members of the Board of Directors during the year have been:

Directors serving between 1 April 2005 and 31 October 2005

Director:

Dr J P Tite (Chairman)
Dr M B Davies
Dr M J Owen
Dr J R Stephenson
Dr D J Yarrow

Nominated by:

GlaxoSmithKline
Medical Research Council
GlaxoSmithKline
Secretary of State for Health
Biotechnology and Biological Sciences Research Council

Directors serving from 1 November 2005

Prof B Greenwood

Jointly nominated by the Institute for Animal Health
and the University of Oxford

Prof R A Weiss

Institute for Animal Health

Prof M W Shirley

Institute for Animal Health

Dr P Wells

Institute for Animal Health

Dr J Almond

Research Nominee, nominated by mutual agreement of
Oxford University and Institute for Animal Health

Dr K A Fleming

University of Oxford

Prof J Bell

University of Oxford

Chief Executive Officer and Secretary

Chief Executive Officer
Secretary

Prof A Hill
G Strickland

DIRECTORS AND TRUSTEES

The directors of the charitable company are its Trustees for the purpose of charity law and throughout this report are collectively referred to as the Trustees.

ANNUAL REPORT OF THE TRUSTEES AND DIRECTORS

(For the purposes of Section 45 of the Charities Act 1993 and Directors' Report for the purposes of Section 234 of the Companies Act 1985)

The Trustees have pleasure in submitting their annual report together with the accounts for the year ended 31 March 2006.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Act 1993 and the Statement of Recommended Practice: Accounting and Reporting by Charities SORP 2005

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

STRUCTURE GOVERNANCE AND MANAGEMENT

The Edward Jenner Institute for Vaccine Research is a company limited by guarantee (registered number 3079818) and a registered charity (number 1051079). The Institute is governed by its Memorandum and Articles of Association and is registered with the Charity Commission.

The Edward Jenner Institute for Vaccine research was incorporated as a company limited by guarantee in July 1995 and registered as a charity in October 1995. Sited on the campus of the Institute for Animal Health at Compton, Berkshire the Institute was formed as collaboration between GlaxoSmithKline, the Medical Research Council; the Biotechnology and Biological Sciences Research Council; and the Secretary of State for Health. This collaboration provided funding for a ten year period up to the end of October 2005. Following the sponsors decision not to maintain any level of funding beyond October 2005 the Institute has undergone a number of fundamental changes with effect from 1 November 2005.

The major changes are

- Redrafted Memorandum and Articles of Association
- The four founder members of the Institute, GlaxoSmithKline, the Medical Research Council; the Biotechnology and Biological Sciences Research Council; and the Secretary of State for Health have been replaced by two members, the University of Oxford and the Institute for Animal Health.
- As a consequence of the change in membership the Board members nominated by the original members resigned and were replaced with new Board members nominated by the new members of the company. The Board of directors, serve as the Trustees of the Institute,
- The liability of the two members of the company- is limited by guarantee to a maximum of £10 each.

APPOINTMENT OF TRUSTEES

As set out in the Articles of Association, the chair of the Trustees is appointed jointly by the Institute for Animal Health and the University of Oxford. The Institute for Animal Health and the University of Oxford each appoint three Trustees and a further research nominee is appointed by whichever of the two members has the highest level of research activity in vaccinology. Each of the chairman and the research nominee hold office for a period of three years from the date of appointment and will be eligible for reappointment for one or more further terms of three years.

RECRUITMENT AND INDUCTION OF NEW TRUSTEES

Trustees are nominated by the members and are selected on the basis of their knowledge and eminence in the field of vaccinology. The Board formally approve all trustee nominations. All Trustees are provided with an induction pack containing Trustee contact details, a copy of the memorandum and articles of association, the last published accounts and the most up to date strategic plan. Baker Tilly are available to advise the Trustees and attend Board Meetings and provide advice to the Trustees on matters affecting them in their roles both as Trustees and Directors.

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

ORGANISATION

The Board of Trustees, which can have up to eight members, administers the charity. The Board meets quarterly and is advised on scientific matters by a Scientific Advisory Board. A Chief Executive is appointed by the Trustees to manage the day to day operation of the Institute.

RELATED PARTIES

As noted in the section 'Status and Organisation of the Institute' the two members of the Institute from 1 November 2005 are the Institute for Animal Health and the University of Oxford. As premier research led organisations with expertise in the field of vaccinology the members will submit grant proposals to the Institute. Currently grant proposals are considered by the Board but a Scientific Advisory Board with an independent membership will consider all applications once such a Board has been established. More information concerning the Scientific Advisory Board is contained in the section 'Grant Making Policy'.

In November 2005 under transitional arrangements, following the change in the Institute's membership and cessation of the funding arrangements with the original sponsors of the Institute, three year fellowships were granted to four senior members of the Institute by the University of Oxford. This arrangement was funded by the Institute along with a transitional three month grant to cover the salaries of eight other staff and some consumable costs. These arrangements retained a core body of staff to enable the Institute to continue in the short to medium term and to give the new Trustees time to prepare and execute a plan for the continuation and development of the Institute.

RISK MANAGEMENT

The Trustees have a risk management strategy which comprises

- An annual review of the risks the charity may face;
- The establishment of systems and procedures to mitigate those risks identified in the plan; and
- The implementation of procedures designed to minimise any potential impact on the charity should those risks materialise.

Key elements in the management of financial risk are

- The setting of a reserves policy by the Trustees and
- Setting parameters for the distribution of the investment portfolio between equity investments and fixed interest securities in order to achieve a balance between maximising returns and limiting the potential variability of investment returns.

Both the reserves policy and the investment portfolio parameters are reviewed annually.

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

OBJECTIVES AND ACTIVITIES

The aims of the Institute are to undertake research and development aimed at the creation, testing and deployment of new vaccines against diseases of humans and of livestock. The Institute will have a particular focus on vaccines of the developing world where the greatest needs exist for novel vaccines. This ambitious aim recognises that non-industrial researchers have a major role to play in the development and design of new vaccines.

This focus on both basic and translational research reflects and recognises both the scientific state of vaccinology and the potential and need for the non-commercial sector to make a greater contribution to vaccine development, particularly for diseases that are unattractive commercial targets for large vaccine companies.

The objectives for the year are shaped by these strategic aims with a view to establishing a research facilitating charity with a world reputation. In 2006/07 the emphasis will be on ensuring that a sound platform is built from which the Institute can develop.

Cornerstones of this platform include

- The retention of key staff as Jenner Fellows with small research groups employed by the University of Oxford for an initial three year term and funded by the Institute. These staff will continue the excellent research undertaken under the previous sponsorship arrangement and will provide a core body of research professionals with eminence in their fields working on Institute funded programs. These groups will continue their work at the Institute's Compton site.
- Commencement of the establishment of a Jenner Vaccinology Centre at the new Old Road Campus site currently under construction by the University of Oxford at Headington, Oxford. This site, when completed will facilitate the bringing together of a number of research groups engaged in world class vaccinology research into a one Oxford based research facility.
- The Institute will offer Jenner Investigator status to suitable persons. This status will confer the entitlement to an allowance for travel to conferences and other such expenses whilst raising the profile of the Institute through the use of the title 'Jenner Investigator' on papers written by Jenner Investigators
- A Scientific Advisory Board will be established with world eminent vaccinology professionals to advise the Board as to which research programs will achieve the greatest effect in advancing knowledge in the field of vaccinology.
- A rigorous program of cost control and review at the Compton site to ensure that the Institutes resources are used prudently

The achievement of these objectives will establish a sound base for the Institute and longer term objectives will include the establishment of new funding streams to enable the work of the Institute to continue and grow.

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

GRANT MAKING POLICY

The Trust invites applications for research grants from institutions by direct approach and by advertising in the specialist press.

Institutional applicants submit a summary of their proposals to the Trustees. Applications are reviewed against the scientific research criteria and the research objectives. During 2005 and 2006 these applications were considered by the Board of the Institute. The Institute plans to establish a Scientific Advisory Board (SAB) and when this SAB has been established applications will be reviewed by them at their biennial meetings. Members of the Institute Board will be able to attend all meetings of the SAB and the SAB will report back to the Institute Board.

Grants will be made to institutions that can demonstrate a track record of excellence in the field of vaccinology and can enable the Institute to achieve its objectives.

REVIEW OF THE DEVELOPMENT AND ACTIVITIES OF THE INSTITUTE DURING THE YEAR

Prior to the change of Trustees on 1st November 2005 the Edward Jenner Institute for Vaccine Research continued to actively pursue its research programmes on the Compton site as in previous years. Scientific productivity remained good and many grant applications for new funding support were submitted with some significant successes. A summary of the research achievements of the Edward Jenner Institute for Vaccine Research to 31st October 2005 has been prepared by Professor Peter Beverley and is available on request.

On October 31st the funding of the Institute by the previous members ended. In order to refocus the Institute before the remaining cash reserves were exhausted all of the Institute employees existing at that time became redundant. The Institute has shifted its focus from an organisation that carries out research using its own facilities and employees to a facilitating body, supporting vaccinology at a new Institute spanning Oxford University and the Institute for Animal Health.

Following the change of Trustees of the Edward Jenner Institute for Vaccine Research on November 1st 2005 a successful opening symposium on vaccinology was held at the Centre for Clinical Vaccinology and Tropical Medicine (CCVTM) in Oxford with a keynote address by Sir Gustav Nossall. This symposium provided an opportunity for selected overviews of vaccinology research and development activities by the University and Institute of Animal Health groups that now form part of the new Edward Jenner Institute for Vaccine Research.

Since then an active seminar programme has been supported by the Institute at its two major sites in Compton and at the CCVTM in Headington. In general Oxford-based scientists have spoken in Compton and vice-versa to enhance knowledge of vaccinology research activities on the other site.

In addition the Institute has supported more focused meetings on influenza vaccines and tuberculosis vaccines held respectively in Oxford and Compton

An application for a Edward Jenner Institute for Vaccine Research-cosponsored meeting on foot and mouth disease vaccines, to be held in India, has been submitted to the Wellcome Trust.

The University has agreed to provide new space in new high quality research

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

building for the Edward Jenner Institute for Vaccine Research headquarters at its Old Road campus site in Headington.

The cost of this will be about £5m and the charity will provide about 20% of this cost. Substantial funds towards the remaining cost of the vaccinology space in the building are being or have been raised. This presents an exciting opportunity for the new Institute to base its headquarters in purpose built space in one of the world's leading research universities, allowing considerable scope for enhancement of the field of vaccinology in the UK.

An outline plan for the use of the space vacated by former employees in the Jenner Building at Compton has been discussed by the interested parties and progress is being made towards implementation of this plan.

The charity has established a new Board of Trustees under the Chairmanship of Professor Brian Greenwood and the first Board meeting was held in January 2006. A Director of the Institute was appointed at that meeting. A management committee of the Institute has been formed comprising senior scientists active in vaccinology at the University and the Institute of Animal Health and a first meeting of this committee has been held.

Scientific progress on various vaccinology research areas continues to be made by all groups. Particularly promising progress has been made on tuberculosis vaccine development and phase II trials are in progress in South Africa with the MVA85A vaccine being developed by the university.

PLANS FOR FUTURE PERIODS

The need for greater investment in vaccinology in the UK and globally is increasingly recognised and advocated and is driven by several factors

- Increasing recognition that the horrendous burden of mortality from potentially vaccine-preventable diseases in poor countries is indefensible in an increasingly wealthy world
- Appreciation that a huge investment in basic sciences such as immunology and genomics has provided great opportunities for new vaccine development but relatively few products
- Increasing public concerns about the safety of widely used childhood vaccines in the UK and other developed countries
- Realisation that new pathogens such as SARS and new influenza strains will continue to emerge, that eradicated diseases such as smallpox may be re-introduced by bioterrorists, and that vaccination offers a major defence strategy
- Concern that adequate vaccines and vaccination policies have not been available or in place to safeguard livestock from epidemics such as foot and mouth disease
- Realisation that the commercial sector is unlikely to be able to undertake more than late stage development of vaccines that are needed for mainly developing country markets
- Excitement that therapeutic vaccination against chronic infections and auto-immune diseases may soon become feasible

Against this background Oxford University and the Institute for Animal Health have come together to co-found a new Institute that will build on their current strengths in vaccinology and the foundation laid by the former Board of the Edward Jenner Institute for Vaccine Research.

**THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

FINANCIAL RESULTS FOR THE YEAR

The net movement in funds for the year to 31 March 2006 was a deficit of £864,618 (2005 £3,592,261). The total value of fund balances at the 31 March 2006 was £3,451,633 (2005 £4,316,251).

INVESTMENT POLICY

Under the Memorandum and Articles of Association the Charity may invest monies not immediately required for its purposes in any way the Trustees wish.

The Investment Policy is that sufficient funds will be retained on short-term deposit to cover the designated funds and also any timing differences between receipts and expenditure for the following year. The remaining funds will be invested in such a way as balance the need to maximise growth whilst retaining sufficient liquidity to manage the ongoing cash requirements of the Institute. The Institute has engaged the services of an Independent Adviser to provide advice on suitable investments.

The portfolio has generated positive returns during the financial year, reflecting the performance of equity markets and at the same time fixed interest investments have performed better than cash over the period. On an overall basis, the fund produced a total return 12.6%. For the financial year the FT All Gilt Index returned 7.4% and the FT All Share Index 28.0%.

A realignment of the portfolio took place during the year to lower the risk profile. Fixed interest investments remained short dated reflecting the needs of the fund, although this resulted in an element of underperformance as the best returns were seen from long dated stocks. Overseas equities were sold and stock specific risk in the UK was eliminated through investment in UK equity Exchange Traded Funds, rather than direct equity investments. UK equities matched index returns.

On an overall basis the year produced a satisfactory outcome. The asset mix is reviewed regularly to align investment objectives with the needs of the fund.

The Institute's investment policy and the performance of its investments against that policy are reviewed annually.

RESERVES POLICY

It is the policy of the Board that the balance on unrestricted funds is maintained at such a level as is deemed sufficient to enable the Institute to accommodate fluctuations in the timing of receipts and payments without exposing the Institute to undue financial risk.

From 1 November 2005 no further funding was received from the Institute's original sponsors, the previous funding arrangement having ended. One of the key tasks of the Trustees is to manage the remaining reserves whilst new sources of funding are identified.

Additionally the Institute is in a period of considerable uncertainty as it transitions from a body that carries out research itself to a facilitating body.

With the ending of the previous funding arrangements from 1 November 2005, reserves are needed to bridge the funding gaps between receiving funds through grants and donations and expenditure required to meet the charities objectives.

**THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

At the 31st March 2006, the actual reserves were £3,451,633 of which a balance of £2,082,883 was in unrestricted general reserves. This is close to the target figure for unrestricted reserves of £2,000,000.

At the 31st March 2006 the balance of funds in unrestricted designated reserves amounts to £1,368,750 a description of the items included herein is contained in note 7 to the financial statements.

The degree of adherence to and appropriateness of this policy is reviewed annually.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

TRUSTEES' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and of the surplus or deficit of the Institute for that period. In preparing these statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in business.

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

In accordance with company law, as the company's directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information

Auditors

A resolution will be proposed at the Annual General Meeting that Baker Tilly be appointed as auditors to the charity for the ensuing year.

By order of the Trustees

B. Greenwood

Brian Greenwood (Chairman)

Dated: 18 September 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH

We have audited the financial statements on pages 13 to 24

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of The Edward Jenner Institute for Vaccine Research Ltd for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and whether the Trustees'/Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the charitable 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 trustees' remuneration and other transactions is not disclosed.

Basis of audit opinion

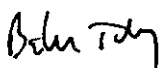
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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.

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 charitable company's affairs as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Trustees'/Directors' Report is consistent with the financial statements.


Registered Auditor
Chartered Accountants
City Plaza
Temple Row
Birmingham
B2 5AF

18 September 2006

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2006**

		2006		2005
		Unrestricted	Designated	As restated
		general	funds	Total
		funds		funds
	Notes	£	£	£
Incoming resources				
Incoming resources from generated funds				
Investment income		175,853		161,513
Incoming resources from charitable activities				
Grants		3,619,091		6,295,628
Other incoming resources		7,046		5,048
Total incoming resources		<u>3,801,990</u>		<u>6,462,189</u>
Costs of generating funds:				
Investment management costs	13	31,827		29,156
Charitable activities				
Scientific research	4	4,892,458		5,664,766
Governance costs	4	33,675		17,905
Total resources expended		<u>4,957,960</u>		<u>5,711,827</u>
Net (outgoing)/incoming resources before transfers		<u>(1,155,970)</u>		<u>750,362</u>
Transfers between funds	7	338,431	(338,431)	-
Net (outgoing)/incoming resources before other recognised gains and losses		<u>(817,539)</u>	<u>(338,431)</u>	<u>750,362</u>
Other recognised gains and losses				
Gains on investment assets		291,352	-	127,530
Provision for permanent diminution in tangible fixed assets		-	-	(4,470,153)
Net movement in funds		<u>(526,187)</u>	<u>(338,431)</u>	<u>(3,592,261)</u>
Fund balances at 1 April		<u>2,609,070</u>	<u>1,707,181</u>	<u>7,908,512</u>
Fund balances at 31 March	8	<u>2,082,883</u>	<u>1,368,750</u>	<u>3,451,633</u>

The notes on pages 17 to 24 form part of these financial statements.

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006**

		2006	2005
	Notes		£ As Restated £
Income from continuing operations			
Gross income	2	3,619,091	6,295,628
Other operating income	3	<u>182,899</u>	<u>166,561</u>
		3,801,990	6,462,189
Less: Expenditure on continuing operations			
Grants payable	5	316,957	501,652
Staff costs	10	2,382,739	2,287,787
General maintenance costs	11	2,192,762	2,875,327
Governance costs	4	33,675	17,905
Investment management costs	13	<u>31,827</u>	<u>29,156</u>
		<u>4,957,960</u>	<u>5,711,827</u>
Surplus/(deficit) for the year		(1,155,970)	750,362
Add back depreciation charges	11	<u>49,984</u>	<u>356,146</u>
Post depreciation surplus/(deficit) for the year		(1,105,986)	1,106,508
Permanent diminution in tangible fixed assets		-	(4,470,153)
(Deficit)/Surplus brought forward		<u>(818,661)</u>	<u>2,544,984</u>
Deficit carried forward		<u>(1,924,647)</u>	<u>(818,661)</u>

There were no recognised gains or losses other than those dealt with above.

A detailed analysis of income by source is included in the Statement of Financial Activities.

None of the Company's activities were acquired or discontinued during the above two financial years.

The notes on pages 17 to 24 form part of these financial statements.

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

BALANCE SHEET
AS AT 31 MARCH 2006

		2006		2005	
		£	£	£	£
	Notes				
Fixed assets					
Tangible assets	12		159,311		14,735
Investments	13		<u>2,519,327</u>		<u>2,225,178</u>
			2,678,638		2,239,913
Current assets					
Debtors	14	28,078		158,963	
Short term deposits		827,050		1,267,727	
Cash at bank and in hand		<u>297,606</u>		<u>1,242,967</u>	
		1,152,734		2,669,657	
Creditors (amounts falling due within one year)	15	<u>(379,739)</u>		<u>(593,319)</u>	
Net current assets			<u>772,995</u>		<u>2,076,338</u>
Net assets			<u>3,451,633</u>		<u>4,316,251</u>
Financed by:					
Funds					
Unrestricted - General	8		2,082,883		2,609,070
Unrestricted - Designated	7,8		1,368,750		1,707,181
			<u>3,451,633</u>		<u>4,316,251</u>

Approved by:

Dated: 18th September 2006

The notes on pages 17 to 24 form part of these financial statements.

BM Gresham

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006

		2006 £	2005 £
	Notes		
Net cash inflow/(outflow) from operating activities	16	(1,332,707)	913,832
Returns on investments and servicing of finance			
Interest received		31,906	31,779
Income received from investments		<u>143,947</u>	<u>129,734</u>
		175,853	161,513
Capital expenditure			
Payments to acquire tangible fixed assets		(194,560)	0
Payments to acquire investments		(1,648,978)	0
Proceeds from sale of investments		<u>1,614,354</u>	<u>394,231</u>
		(229,184)	394,231
Payments to acquire investments			
Proceeds on sale of investments			
Net cash inflow/(outflow) before financing		(1,386,038)	1,469,576
Management of liquid resources			
Net (decrease) / increase in short term deposits	17	(440,677)	523,965
(Decrease)/increase in cash	17	<u>(945,361)</u>	<u>945,611</u>

The notes on pages 17 to 24 form part of these financial statements.

**THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)**

NOTES TO THE ACCOUNTS

1 Accounting policies

(a) Accounting convention

The accounts have been prepared under the historical cost convention modified to include the revaluation of investments which are valued at market value. The accounts meet with the requirements of the Companies Act 1985 and have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005). The accounts comply with applicable accounting standards so far as these requirements are appropriate. Significant departures from applicable accounting standards are disclosed. The comparative figures have been restated for SORP 2005 compliance purposes. This has not altered the net assets position at 31 March 2005.

(b) Tangible Fixed assets

Fixed assets costing over £10,000 are depreciated to their estimated residual values by equal annual instalments over their expected useful lives as below. Items costing less than £10,000 are expensed in the year of purchase.

Leasehold land and buildings	over the term of the lease
Plant and machinery	3 - 10 years

No depreciation is provided on assets in course of construction, or works of art except in the event of permanent diminution in value.

(c) Investments

Investments are stated at market value as at the balance sheet date. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

(d) Income

Income comprises grants received from sponsors and other funding agencies and miscellaneous income from other sources. Grants and other income received on account of activities to be undertaken or services to be provided in future periods are deferred.

(e) Restricted funds

Income received from sponsors and other funding agencies which is designated by the funder as to be applied for specific purposes is accounted for within restricted funds. Where that specific purpose is the provision of one or more fixed assets to be used in the general charitable activities of the Institute the restricted fund is subsequently reduced by transfers to unrestricted funds of amounts equivalent to any depreciation or amortisation charges over the expected useful life of the asset.

(f) Unrestricted and designated funds

Income received which is not designated by the sponsors or other funding agencies to be applied for specific purposes is accounted for within unrestricted funds. Funds committed by the trustees for a specific purpose which have not been expended at the end of an accounting period are accounted for within designated funds.

(g) Grants payable

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment but not accrued as expenditure.

(h) Charitable expenditure

Charitable expenditure comprises costs incurred directly or in support of scientific research whether undertaken at the Institute's own facilities or in other laboratories.

(i) Management and Support costs and Governance costs

Expenditure incurred on central management and administration of the Institute are reported as Support Costs in the Notes. Governance costs are costs incurred in the governance of the Institute and its assets and are primarily associated with statutory audit and legal fees.

(j) Value Added Tax

Expenditure includes any related irrecoverable Value Added Tax under each heading.

(k) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

(l) Leased assets

Rentals payable under operating leases are charged to the income and expenditure account and recognised in the statement of financial activities evenly over the lease term. Assets acquired under finance leases are capitalised as tangible assets and depreciated over their useful lives. Finance charges and interest are taken to income and expenditure account and the statement of financial activities in proportion to the remaining balance of capital repayments or net obligations outstanding.

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

NOTES TO THE ACCOUNTS (continued)

1 Accounting policies (continued)

(m) Reserves

The balance on unrestricted funds is maintained at such a level as to enable the Institute to accommodate fluctuations in the timing of receipts and payments without exposing the Institute to undue financial risk.

(n) Pensions

Employees of the Institute were entitled to join a defined contribution 'money purchase' scheme. The Institute's contribution is restricted to the contributions disclosed in note 18. There were no outstanding contributions at the year end. From 1 November 2005 the Institute had no employees.

(o) Investment policy

The Institute's policy is to invest sufficient funds in such a way as to guarantee preservation of their capital value to cover any potential liabilities. Additional funds will be retained on short-term deposit to cover timing differences between receipts and expenditure. Remaining funds will be invested in such a way as to maximise growth.

	2006 £	2005 £
2 Gross income		
Recurrent grant from sponsors		
GlaxoSmithKline	1,806,000	3,096,000
Medical Research Council	903,000	1,548,000
Biotechnology and Biological Sciences Research Council	602,000	1,032,000
The Secretary of State for Health	301,000	516,000
Grants receivable	7,091	103,628
	<u>3,619,091</u>	<u>6,295,628</u>
3 Other operating income		
Interest received	31,906	31,779
Investment income	<u>143,947</u>	<u>129,734</u>
	175,853	161,513
Other income	<u>7,046</u>	<u>5,048</u>
	<u>182,899</u>	<u>166,561</u>
Transfers from restricted funds	-	356,146

4 Charitable expenditure and management and administration

	2006		2005 As restated	
	Direct Charitable £	Support costs £	Direct Charitable £	Support costs £
Grants paid in support of scientific programs (note 5)	316,957		501,652	
Staff costs and student stipends	1,935,440	447,299	2,015,705	272,081
Service level agreements	708,416	51,383	931,609	85,418
Professional fees	0	70,473	0	81,531
Travel and subsistence	23,471	1,973	46,578	9,648
Laboratory consumables and equipment	1,043,698	1,148	964,672	5,666
Communications	0	3,279	4,225	6,422
Premises	171,422	0	268,228	0
Miscellaneous	30,501	37,014	59,854	55,331
Depreciation	<u>49,984</u>	<u>0</u>	<u>356,146</u>	<u>0</u>
	<u>4,279,889</u>	<u>612,569</u>	<u>5,148,669</u>	<u>516,097</u>
Direct Charitable and Support costs - Scientific research		<u>4,892,458</u>		<u>5,664,766</u>
Governance Costs				
Professional fees		<u>33,675</u>		<u>17,905</u>

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

NOTES TO THE ACCOUNTS (continued)

	2006	2005
	£	£
5 Grants payable		
Grants paid in the year in support of scientific research programmes:		
University College London	105,172	126,658
St George's Hospital Medical School, London	15,599	62,184
Institute of Child Health	-	-
University of Massachusetts	-	-
University Of Cape Town	21,500	43,000
Max Delbruck Center, Berlin	-	-
Our Lady's Hospital for Sick Children, Dublin	-	-
Oxford University	209,739	165,843
The Babraham Institute	-	24,822
Cancer Research UK	43,242	79,145
Less Provisions released	<u>(78,295)</u>	<u>-</u>
	<u><u>316,957</u></u>	<u><u>501,652</u></u>

Commitments resulting from grants awarded to these and other institutions:

Falling due for payment in year ending

31 March 2007 £278,394

These grants are to be wholly funded from future income.

6 Insurances

The Institute has entered a policy of insurance to indemnify trustees and officers against legal or other costs incurred as a consequence of their action or inaction as trustees or officers of the Institute. Premium and related costs in respect of this policy totalling £2,100 (2005 £1,879) were paid by one of the Institute's sponsors.

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

NOTES TO THE ACCOUNTS (continued)

7 Designated funds

Designated funds comprise funds set aside to meet expenditure commitments and unencumbered revenues received from sources other than sponsors' contributions which have been set aside to provide facilities or supplement operating costs or meet any future liabilities of the Institute. The unexpended balance of designated funds is invested in temporary deposits and appears in the Balance Sheet under current assets and investments.

Transfers between funds are made up as follows:

	As at 1 April 2005 £	Transfers to/(from) Unrestricted General Fund £	As at 31 March 2006 £
Designated:			
VAT Capital Goods Scheme	875,000	(656,250)	218,750
Severance Payment Provision	832,181	(832,181)	-
Old Road Campus, Oxford	-	1,000,000	1,000,000
Decommissioning provision	-	150,000	150,000
	<u>1,707,181</u>	<u>(338,431)</u>	<u>1,368,750</u>

VAT Capital Goods Scheme

The Institute recovered £875,000 of input VAT arising from the construction of a purpose built research facility completed in August 1998. Under the VAT Capital Goods Scheme a proportion of this VAT is repayable to HM Revenue and Customs in the event that the facility ceased to be used for a charitable purpose the potential liability diminishes linearly to nil over a 10 year period. At the balance sheet date the building has been used for a charitable purpose for 7 years and 4 months

Severance Payment Provision

The restructuring plan for the Institute including the redundancy provision of the staff as the Institute transforms from an employing organisation to a facilitating one. Redundancy pay was settled in 2005-06 and there being no further requirement for a provision, the provision has been released.

Old Road Campus, Oxford

The Institute has committed £1m to provide space for a Jenner Institute at the Old Road Campus Site in Headington, Oxford. This is part of a £5m development being undertaken by the University of Oxford. This presents an exciting opportunity for the new Institute to base its headquarters in purpose built space in one of the world's leading research universities, allowing considerable scope for enhancement of the field of vaccinology in the UK.

Decommissioning provision

The Institute owns a Gamma irradiation facility at the Compton site and whilst there no plans to decommission this facility a provision has been made against the cost of this work

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

NOTES TO THE ACCOUNTS (continued)

8 Analysis of net assets between funds

	Unrestricted funds	Designated funds	Total funds
	£	£	£
Tangible fixed assets	159,311	-	159,311
Current assets & investments	2,303,311	1,368,750	3,672,061
Current liabilities	(379,739)	-	(379,739)
	<u>2,082,883</u>	<u>1,368,750</u>	<u>3,451,633</u>

9 Changes in resources available for charity use

	2006 Unrestricted funds	2006 Designated funds	2006 Total funds	2005 Total funds
	£	£	£	£
Net movement in funds for year	(526,187)	(338,431)	(864,618)	877,892
Net expenditure on fixed asset additions for direct charitable purposes	(194,560)	-	(194,560)	(4,470,153)
Net movement in funds available for future activities	<u>(720,747)</u>	<u>(338,431)</u>	<u>(1,059,178)</u>	<u>(3,592,261)</u>

10 Staff costs and numbers

	2006 £	2005 £
		As Restated
Salaries and wages, student stipends	1,245,160	1,738,158
Social security payments	135,743	186,768
Other pension costs (note 18)	158,552	258,220
Severance payments	815,463	48,203
Other staff costs	27,821	56,438
	<u>2,382,739</u>	<u>2,287,787</u>

The average number of persons employed (excluding trustees) and postgraduate students at the Institute's laboratory during the year was:

Scientific research - employees	30	50
Scientific research - students	3	12
Management and administration	2	4
	<u>35</u>	<u>66</u>

The numbers of employees in receipt of remuneration in excess of £50,000 during the year was:

£60,000 to £69,999	3	2
£70,000 to £79,999	3	-
£80,000 to £89,999	-	1
£90,000 to £99,999	1	-
£100,000 to £109,999	1	-
£140,000 to £149,999	1	-

No trustee received any remuneration or reimbursement of travel expenses (2004:£nil)

All ex employees earning over £50,000 participate in the pension scheme and have retirement benefits accruing under the scheme

11 General maintenance costs

	£	£
General maintenance costs include the following:		
Auditor's remuneration		
- Statutory audit	12,500	17,905
- Other services	-	-
Directors' emoluments	-	-
Depreciation	<u>49,984</u>	<u>356,146</u>

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

NOTES TO THE ACCOUNTS (continued)

12 Tangible assets	Works of art	Plant and machinery	Short leasehold buildings	Total
	£	£	£	£
Cost				
At 01 April 2005	11,750	1,866,900	6,815,099	8,693,749
Additions	-	194,560	-	194,560
Reclassifications	-	-	-	-
At 31 March 2006	<u>11,750</u>	<u>2,061,460</u>	<u>6,815,099</u>	<u>8,888,309</u>
Depreciation				
At 01 April 2005	-	1,863,915	6,815,099	8,679,014
Charge for the year	-	49,984	-	49,984
Provision for impairment loss	-	-	-	0
At 31 March 2006	<u>-</u>	<u>1,913,899</u>	<u>6,815,099</u>	<u>8,728,998</u>
Net book value at 31 March 2006	<u>11,750</u>	<u>147,561</u>	<u>-</u>	<u>159,311</u>
Net book value at 31 March 2005	<u>11,750</u>	<u>2,985</u>	<u>-</u>	<u>14,735</u>

13 Investments

Institute policy is to invest sufficient funds in such a way as to guarantee preservation of their capital value to cover any potential liabilities. Additional funds will be retained on short-term deposit to cover timing differences between receipts and expenditure. Remaining funds will be invested in such a way as to maximise growth.

	2006 £	2005 £
Fixed Interest - UK Gilts	632,448	625,823
Other Fixed Interest	607,082	381,125
Equities - UK	1,279,797	1,033,346
Equities - US	-	184,884
	<u>2,519,327</u>	<u>2,225,178</u>

Details of material investments are as follows:

	% Value of Portfolio	% Value of Portfolio
	2006	2005
Treasury 4% 2009	8.9	13.2
Treasury 5% 2012	10.0	14.9
Ishares FTSE 100	30.0	
Ishares FTSE 250 Fund	5.4	
BP Ordinary shares		5.2
SPDR unit trust		5.2

	Fixed Interest		Equities		Total
	UK Gilts	Other	UK	US	
	£	£	£	£	£
Value at 01/04/2005	625,822	381,125	1,033,346	184,885	2,225,178
Purchases at cost	-	604,953	1,044,025	-	1,648,978
Sale proceeds	-	(382,856)	(1,054,609)	(176,889)	(1,614,354)
Change in market value	6,626	3,860	288,862	(7,996)	291,352
Management Fees	-	-	(31,827)	-	(31,827)
Value at 31/03/2006	<u>632,448</u>	<u>607,082</u>	<u>1,279,797</u>	<u>-</u>	<u>2,519,327</u>

The original cost of the investments held at 31 March 2006 was 2,221,579

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

NOTES TO THE ACCOUNTS (continued)

14 Debtors	2006	2005
	£	£
Trade debtors	-	-
Other debtors	12,260	1,851
Prepayments and accrued income	15,818	157,112
	<u>28,078</u>	<u>158,963</u>

15 Creditors - amounts falling due within one year		
Trade creditors	214,147	80,573
Accruals and deferred income	165,592	446,578
Taxation and social security	-	55,933
Other creditors	-	10,235
	<u>379,739</u>	<u>593,319</u>

16 Reconciliation of net (outgoing)/incoming resources to net cash inflow/(outflow) from operating activities		
Net (outgoing)/incoming resources before transfers	(1,155,970)	779,518
Interest receivable	(31,906)	(31,779)
Investment income receivable	(143,947)	(129,734)
Depreciation charged	49,984	356,146
Investment management costs	31,827	29,156
Decrease in debtors	130,885	113,518
(Decrease) in creditors	(213,580)	(173,837)
	<u>(1,332,707)</u>	<u>942,988</u>

17 Reconciliation of net cash flow to movement in net funds and analysis of changes in net funds

	2006	2005
	£	£
(Decrease) / Increase in cash	(945,361)	945,611
Cash (released) / invested as a result of changes in short term deposits	(440,677)	523,965
(Decrease) / Increase in net funds	(1,386,038)	1,469,576
Net funds at 01 April 2005/2006	2,510,694	1,041,118
Net funds at 31 March 2005/2006	<u>1,124,656</u>	<u>2,510,694</u>

Changes in net funds during the period comprised:

	At 01 April 2005	Cash flows	At 31 March 2006
	£	£	£
Cash at bank and in hand	1,242,967	(945,361)	297,606
Short term deposits	1,267,727	(440,677)	827,050
	<u>2,510,694</u>	<u>(1,386,038)</u>	<u>1,124,656</u>

18 Staff pensions

Employees are given the opportunity to participate in group personal pension plans. The Institute contributes towards personal pension plans established under the group scheme at fixed rates based on the employee's age and salary. The plans constitute defined contribution schemes and the Institute's liability is limited to the amount of the fixed contribution due each year.

	2006	2005
	£	£
Contributions payable	158,552	258,220
Amounts included in creditors at the year end in respect of contributions due but not yet paid to the scheme provider	-	-

THE EDWARD JENNER INSTITUTE FOR VACCINE RESEARCH
(Limited by Guarantee)

NOTES TO THE ACCOUNTS (continued)

19 Related party transactions

The Institute has close working relationships with the Institute for Animal Health and the University of Oxford. Since the change in membership of the Institute on 1 November 2005 these bodies nominate the trustees. The Institute occupies premises at the Institute for Animal Health's Compton site. The following is a summary of purchases and recharges from these entities

	2006
	£
Institute for Animal Health	864,643
University of Oxford	388,086
	<u>1,252,729</u>

Comparatives are not provided as the Institute for Animal Health and the University of Oxford only became related parties during the course of 2005/06

20 Contingent liabilities

Under current VAT legislation a proportion of the VAT from which the Institute was relieved on the construction costs of the new laboratory is payable in the event that there is material business use of the building during the first ten years of its life.

This proportion is time related so that 7.5 years after the relief was granted the maximum potential liability is 25% of the original amount relieved

The estimated value of the VAT payable if this contingency is realised is £218,750. Funds have been designated in this amount and are held on deposit such that capital security and access without penalty are assured.

21 Capital commitments

	2006	2005
	£	£
Contracted for but not provided	-	131,000