



making tomorrow's medicines



Cobra Biomanufacturing Plc

Annual Report and Accounts 2005  
for the year ended 30 September

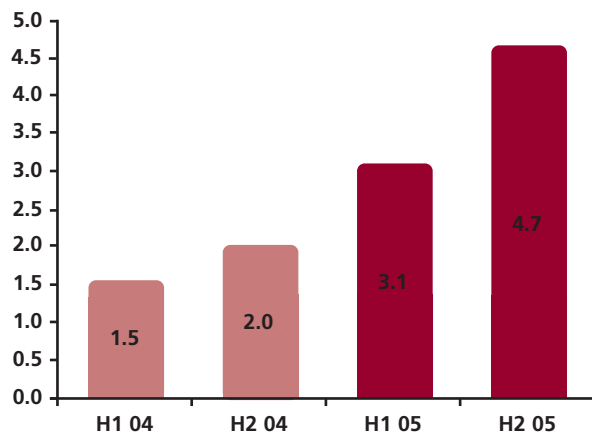
# Contents

|                                   | <b>Page</b> |  | <b>Page</b> |
|-----------------------------------|-------------|--|-------------|
| Financial highlights              | 1           | Group profit and loss account                            | 21          |
| Chairman's statement              | 2           | Balance sheets   | 22          |
| Chief Executive's review          | 3-4         | Group statement of cash flows                            | 23          |
| Financial review                  | 5-7         | Reconciliation of net cash flow to movement in net funds | 23          |
| Board of directors                | 8           | Notes to the financial statements                        | 24-36       |
| Senior management                 | 9-10        | Notice of Annual General Meeting                         | 37-38       |
| Report of the directors           | 11-13       | Shareholder information                                  | 39          |
| Corporate governance              | 14-15       | Directors and advisors                                   | 40          |
| Report on directors' remuneration | 16-19       | Glossary of terms  | 41          |
| Report of the auditors            | 20          |  |             |

# Financial Highlights 2005

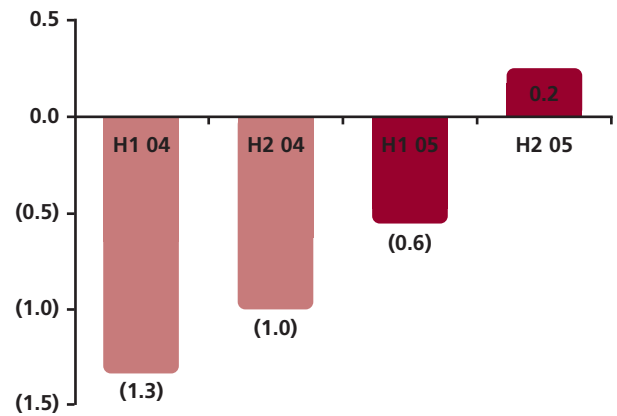
## Turnover

FY 2005 up 120% £7.7m (FY 2004: £3.5m)  
 H2 2005 up 53% to £4.7m (H1 2005: £3.1m)



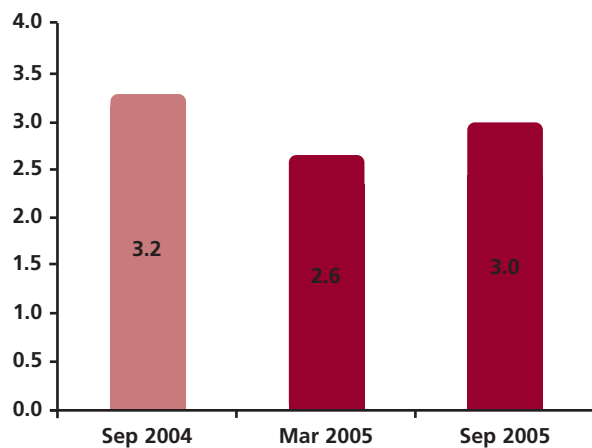
## Profit/(loss) before tax

FY 2005 £0.4m loss (FY 2004: £2.3m loss)  
 H2 2005 £0.2m profit (H1 2005: £0.6m loss)



## Cash at bank (inc short term deposits)

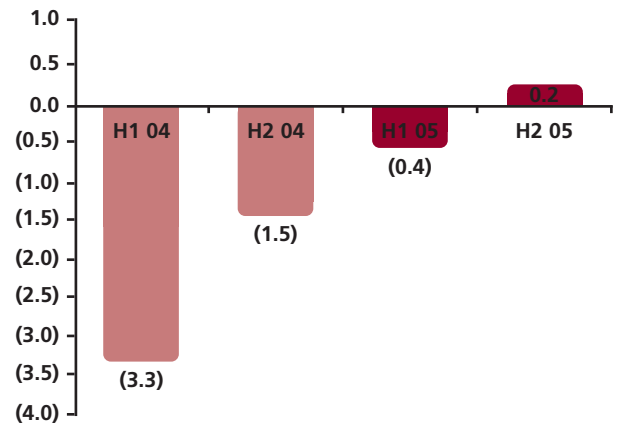
Sept 2005 £3.0m (Sept 2004: £3.2m)  
 (31 Mar 2005: £2.6m)



## Cash flow

(before management of liquid resources and financing)

FY 2005 £0.2m outflow (FY 2004: £4.8m outflow)  
 H2 2005 £0.2m inflow (H1 2005: £0.4m outflow)



# Chairman's Statement



The results for the financial year ended 30 September 2005 reflect a continuation of the trends seen at the half year with turnover 120% ahead of the previous financial year, a record for Cobra of £7.7m (2004: £3.5m). The contracted forward order book for the financial year 2006 currently stands at £5.0m (Jan 2005: £2.7m).

In 2005 Cobra generated £0.6m cash from operations (2004: £2.0m outflow), a loss before tax of £0.4m (2004: £2.3m) and after tax of £0.3m (2004: £2.4m loss). In the second half of the financial year the Group traded profitably and was cash generative. Cash at bank (inc short term deposits) at the end of the financial year stood at £3.0m (2004: £3.2m), up from £2.6m as at 31 March 2005, despite a further £0.8m of capital investment in the year (2004: £3.2m).

This improvement came from our focus on North America, which provided 79% of turnover (2004: 31%) reflecting the region's dominant position in the global biotechnology market. Further investment in business development is underway to increase Cobra's penetration of this vitally important market. Investment in manufacturing staff is also ongoing to underpin the growing forward order book with increased headcount at both the Keele and Oxford facilities. The recruitment of internationally experienced senior managers has also been completed to ensure that the expanding capability is directed to meet the highest regulatory standards in both the US and the EU.

We are also in discussions with two major customers concerning their longer term requirements for Phase III materials and commercial supply, which could have a direct bearing on the scale and shape of any new capacity that may become necessary, and in this regard facilities have been identified in both Europe and North America. We continue to review opportunities to expand our service offering and a thorough review of potential partners in Europe and North America is nearing completion.

During the year the Executive Directors have undertaken a comprehensive risk assessment exercise. The allocation of responsibility for each risk and its management is now underway. A regular risk review will form part of the annual cycle of governance procedures.

Cobra has made a strong recovery in response to the challenges faced in 2004, leading to a profit in the second half of 2005. The Group has demonstrated its resilience, flexibility and professionalism by widening its range of services, increasing penetration of the North American market and positioning itself to benefit from the growth in demand for biopharmaceuticals and the contributions of all employees in achieving this outcome are fully recognised.

Cobra is now poised to move into the next stage of its development as a profitable and leading provider of specialist biomanufacturing services to the global marketplace, based upon longer term supply agreements with customers and agreements for products moving into late stage development.

A handwritten signature in black ink, appearing to read 'G Peter Fothergill'.

**G Peter Fothergill**  
Executive Chairman

10 January 2006

# Chief Executive's Review



Cobra's business is the provision of manufacturing expertise to accelerate the clinical development of our clients' experimental drug candidates. Recently Cobra has successfully adapted to a rapidly expanding market for these specialist services evidenced by an average growth in turnover of 45% over the past four reporting periods. The strategy underpinning this growth has been our sales focus in the North American market and broadening our offering to cover manufacture of all types of biopharmaceuticals. Cobra's major client base, comprising 90% of turnover, is small to medium sized biotech product development companies. The appetite for investment in such companies continues, particularly in North America and the prospects for Cobra's sustained expansion are encouraging.

## Geographic Trends

North America continues to dominate the biotechnology industry both in terms of product development and global investment. Penetration of the North American market is a key target for Cobra and the focus of the sales and marketing effort in this territory led to a 460% increase in turnover during 2005 to £6.1m (2004: £1.1m). This represents 79% of turnover (2004: 31% 2003: 24%). Cobra now has three sales staff operating in North America centred in the West Coast, Mid West and East Coast biotechnology hubs.

Because of our location, the UK and Continental Europe remain important potential markets for Cobra. However the funding environment in Europe for small biotechnology companies, particularly start-ups, is extremely tight and turnover in these territories has dropped by 36% and 20% respectively compared with 2004. Given the opening up of the IPO market and other investment trends we expect that the European market for Cobra's services will increase over the coming financial year.

## Protein Products

Protein products dominate the world market for biopharmaceuticals. The recent outstanding success of biopharmaceutical based medicines (with current sales of \$60.0bn\*) continues with the introduction of a number of recent blockbuster products (e.g. Herceptin, Avastin, Remicade and Humira). Growth of the biopharmaceuticals market is double that of the conventional drugs' market and is driving further investment in the search for new protein drugs. Development of this type of medicine has become and will remain the major potential market for Cobra's services. Cobra has over ten years of technical experience in the development of both microbial and mammalian protein products. Over the past year turnover from protein production has grown by 473% to £3.2m (2004: £0.6m) and now constitutes 41% of sales (2004: 16% 2003: 26%). The worldwide market for biomanufacturing services the majority of which is protein manufacture is approaching \$2.0bn\*\* and the market for supply of early stage products \$460m\*\*. Cobra is successfully building a track record in this expanding market by offering specialised manufacturing services where the production process is non-standard and development requires the application of innovative science.

## Virus Products

Turnover from virus manufacture has continued to expand, up 78% compared with 2004. Virus manufacture is highly specialised requiring specifically designed containment facilities and expertise in the production of each particular virus type. Over the past two years Cobra has gained expertise in the manufacture of all the major types of genetically engineered virus being developed for medical intervention and this puts the Group in a strong position to compete globally for large scale virus manufacturing programmes. Another attraction of the virus business is that relatively modest capacity is required to manufacture commercial quantities of many virus products. Cobra has already invested in such capacity and we are able to offer a highly competitive 'clone to market' development package in a relatively small but potentially profitable market.

\* *Werner 2005 – Bioprocess International (Sept 2005)*

\*\* *High Tech Business Decisions 'Biopharmaceutical Contract Manufacturing 2005'*

# Chief Executive's Review

## DNA Products

After experiencing a rapidly declining trading environment in 2004, the manufacture of DNA products recovered throughout 2005 by an impressive 32% but is still below the level reached in 2003. We expect turnover from DNA manufacturing to remain at this level in the short term.

## Cell Products

Cell products are medicines where the active principle is a bacterial cell itself, unlike Cobra's other microbial products which are products purified from such cells. In November 2005 we announced a long term manufacturing agreement with Advaxis Inc, which gives Cobra an option on the commercial manufacture of Advaxis' products. Cobra also owns a product development platform, called ORT-VAC, which we continue to develop in collaboration with DSTL (UK Defence Science and Technology Laboratory at Porton Down). Earlier in the year Cobra and DSTL scientists jointly published a paper in the prestigious peer reviewed journal Infection and Immunity demonstrating that in a pre-clinical model a single dose of an ORT-VAC based vaccine can protect against a lethal plague challenge.

## Regulatory Environment

Cobra's major source of income is from the supply of drugs for clinical evaluation. In order to assure patient safety, the manufacture of commercially marketed pharmaceutical products is governed by a code of Good Manufacturing Practice referred to as cGMP. Under the EU Clinical Trials Directive enacted in July 2004, products for all clinical evaluation must also be manufactured under full cGMP. These standards must be met regardless of the subsequent regulatory destination of the products manufactured and compliance to these standards can account for more than 50% of the manufacturing cost. During 2005 I am pleased to report that Cobra's Keele and Oxford facilities underwent a comprehensive review by the GMP Inspectorate of the UK Medicines and Healthcare products Regulatory Agency (MHRA), and our licences were subsequently reaccredited for the manufacture of all major types of biopharmaceutical.

## Outlook for Cobra's Services

Our market is small to medium sized public and well established private biotechnology companies, which do not possess the specialised manufacturing capacity required to develop their products. Cobra is now working with several companies whose products are showing much promise in the clinic and the expectation is that these products will be rapidly commercialised. Our corporate objective is to become a manufacturing partner of these companies as their products approach and gain regulatory approval.

A major step in Cobra's development in 2005 was the agreement with Auxilium Pharmaceuticals Inc on the manufacture of their lead development product for Phase III clinical trials (penultimate to commercialisation) and a long term commercial manufacturing agreement with Advaxis Inc. These agreements are an indication of how Cobra is making progress towards its corporate goal of becoming a major manufacturer of marketed biopharmaceutical products.



**Dr David Thatcher**  
Chief Executive

10 January 2006

# Financial Review



The financial performance for 2005 was an excellent turnaround result. Turnover for 2005 increased by 120% to £7.7m (2004: £3.5m), which resulted in an operating cash inflow of £0.6m (2004: £2.0m outflow) and a loss after tax of £0.3m compared with the £2.4m loss experienced in 2004. The Group also spent £0.8m (2004: £3.2m) on essential capital investment during the year, which was partially funded by £0.2m of sale and leaseback financing and £0.2m additional mortgage funding. As a result the Group closed the financial year with cash at bank (including short term deposits) of £3.0m (2004: £3.2m) and net funds of £0.5m (2004: £0.9m).

## Turnover

The turnover for the year was generated from 38 customers worldwide, however the increase in the year can be directly attributed to the Group's focus on the North American market and a shift towards the growing markets for both protein and virus production.

North American turnover contributed £6.1m of the total in 2005 (2004: £1.1m) or 79%. This more than compensates for the decline in turnover in all other territories. Turnover for the UK stood at £1.3m (2004: £2.0m), Continental Europe £0.2m (2004: £0.3m) and the Rest of the World £0.1m (2004: £0.2m), which combined contributed 21% of the total compared with 69% in 2004.

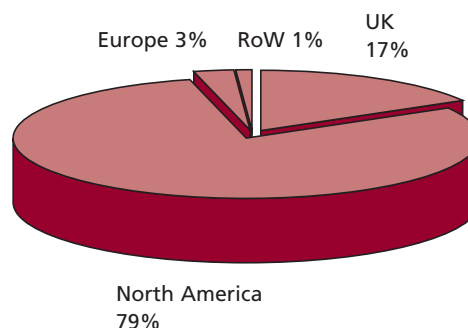
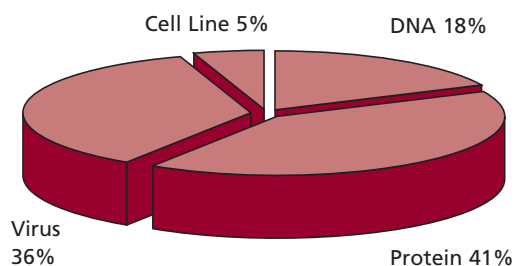
Protein production contributed £3.2m or 41% of the total in 2005 (2004: £0.6m) and virus production contributed £2.8m or 36% (2004: £1.6m). DNA production, although declining in percentage terms to 18% of 2005 turnover compared with 30% in 2004, did increase in real terms to £1.4m (2004: £1.1m). Cell Line production maintained at £0.4m (2004: £0.4m).

Turnover 2005 by product type

|           | 2005 % | 2005         | 2004  | Inc         |
|-----------|--------|--------------|-------|-------------|
| DNA       | 18%    | 1,391        | 1,050 | 32%         |
| Protein   | 41%    | 3,177        | 554   | 473%        |
| Virus     | 36%    | 2,758        | 1,551 | 78%         |
| Cell Line | 5%     | 395          | 361   | 9%          |
|           |        | <b>7,721</b> | 3,516 | <b>120%</b> |

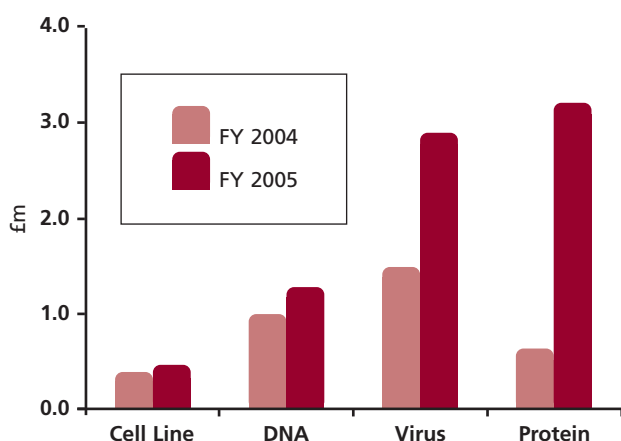
Turnover 2005 by destination

|               | 2005 % | 2005         | 2004  | Inc/dec     |
|---------------|--------|--------------|-------|-------------|
| UK            | 17%    | 1,285        | 1,993 | -36%        |
| North America | 79%    | 6,138        | 1,097 | 460%        |
| Europe        | 3%     | 210          | 263   | -20%        |
| RoW           | 1%     | 88           | 163   | -46%        |
|               |        | <b>7,721</b> | 3,516 | <b>120%</b> |

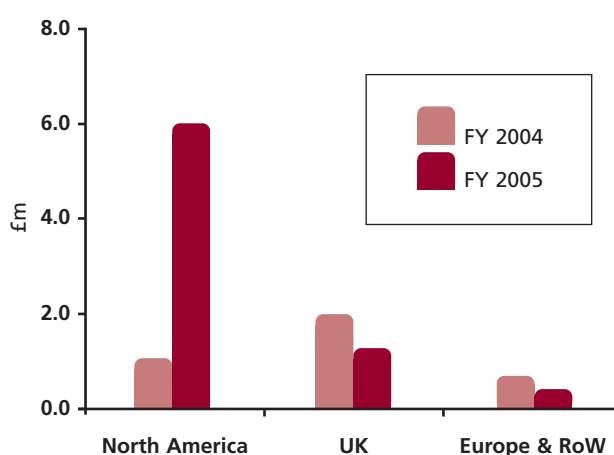


# Financial Review

Turnover by product type 2004 and 2005



Turnover by destination 2004 and 2005



## Profitability and margins

**Gross margins** – The increase in turnover had a positive impact on gross margins, as capacity filled throughout the year at Keele and Oxford, due to a significant element of the cost of goods being primarily fixed facility and labour costs. This, combined with Cobra only recruiting staff when required, and where possible, passing the cost of consumables directly to the customer resulted in gross margins increasing to 56% for the year (2004: 45%), peaking at 59% in the second half of the year.

**Operating expenses** – Operating expenses increased overall by 18% to £4.7m in 2005 (2004: £3.9m). This increase can be attributed to the following factors; firstly the Group's focus on North America and the increased effort directed towards protein and virus production increased sales and marketing expenditure, and secondly an increase in facility overhead expenditure and the depreciation charge as the Group expanded further into the new £5.5m Oxford Facility.

**Loss before and after tax** – The Group recorded its first profitable trading period for 18 months in the second half of the year to reduce the loss before tax of £0.6m in the first half to a £0.4m loss for the full year (2004: £2.3m loss). With an estimated R&D tax credit of £54k for the year, the loss after tax for the financial year was £0.3m (2004: £2.4m loss).

| £000's                    | Total<br>2005 | H2<br>2005 | H1<br>2005 | Total<br>2004 |
|---------------------------|---------------|------------|------------|---------------|
| Turnover                  | 7,721         | 4,666      | 3,055      | 3,516         |
| Cost of goods             | (3,398)       | (1,898)    | (1,500)    | (1,951)       |
| Gross profit              | 4,323         | 2,768      | 1,555      | 1,565         |
| Gross margin              | 56%           | 59%        | 51%        | 45%           |
| Operating expenses        | (4,675)       | (2,501)    | (2,174)    | (3,949)       |
| Operating (loss)/profit   | (352)         | 267        | (619)      | (2,384)       |
| Interest                  | (43)          | (24)       | (19)       | 113           |
| (Loss)/profit before tax  | (395)         | 243        | (638)      | (2,271)       |
| Taxation                  | 54            | 33         | 21         | (127)         |
| (Loss)/profit after tax   | (341)         | 276        | (617)      | (2,398)       |
| (Loss)/earnings per share | (1.7)         | 1.5        | (3.2)      | (12.3)        |

# Financial Review

## Cash Flow

**Operating cash flow** – The Group generated £0.6m cash from operations in 2005 (2004: £2.0m outflow), £0.8m of which was generated in the second half of the financial year.

**Capital expenditure** – The Group spent £0.8m on capital investment (2004: £3.2m), £0.2m of which was for the purchase of additional land adjacent to the Oxford Facility, for further expansion, and the remainder being the purchase of either replacement or contract specific plant and laboratory equipment at Keele and Oxford.

**Financing** – Cobra received net financing of £0.07m in the year (2004: £0.66m), the majority of which was raised through the Group's continuing policy to fund the purchase of capital investment through either sale and leaseback or mortgage finance.

**Cash at bank (including short term deposits)** – The improved trading position, in particular in the second half of the year and the continued funding of essential capital expenditure throughout the year, ensured that the Group was cash generative in the second half of the year and that the cash outflow for the full year was limited to £0.12m (2004: £4.10m), which resulted in a closing cash at bank (including short term deposits) at 30 September 2005 of £3.04m (30 September 2004: £3.16m).

| £000's                         | Total<br>2005 | H2<br>2005 | H1<br>2005 | Total<br>2004 |
|--------------------------------|---------------|------------|------------|---------------|
| <b>Operating cash flow</b>     | <b>571</b>    | 795        | (224)      | (2,014)       |
| <b>Interest</b>                | <b>(43)</b>   | (24)       | (19)       | 113           |
| <b>Tax</b>                     | <b>69</b>     | -          | 69         | 323           |
| <b>Capital investment</b>      | <b>(786)</b>  | (528)      | (258)      | (3,180)       |
| <b>Cash flow pre financing</b> | <b>(189)</b>  | 243        | (432)      | (4,758)       |
| <b>Financing</b>               |               |            |            |               |
| Shares                         | <b>2</b>      | -          | 2          | -             |
| Mortgage                       | <b>213</b>    | 252        | (39)       | (20)          |
| Leasing                        | <b>(149)</b>  | (63)       | (86)       | 675           |
|                                | <b>66</b>     | 189        | (123)      | 655           |
| <b>Net cash flow</b>           | <b>(123)</b>  | 432        | (555)      | (4,103)       |
| <b>Opening cash at bank*</b>   | <b>3,159</b>  | 2,604      | 3,159      | 7,262         |
| <b>Closing cash at bank*</b>   | <b>3,036</b>  | 3,036      | 2,604      | 3,159         |

\*including short-term deposits

## Research and Development

Cobra continues to recognise that it has achieved its competitive advantage in the complex market of biopharmaceutical manufacturing, through investment in research and development, and despite the Group's focus during 2005 being primarily on improving its trading position, gross research and development expenditure before government grant funding, fell by only 10% to £0.32m (2004: £0.36m).

## Taxation

At 30 September 2005, the Group had trading tax losses carried forward of £14.2m ensuring that the Group should not be obliged to pay UK corporation tax for the foreseeable future on any trading profits.

The Group is entitled to claim research and development tax relief, available under Schedule 20 of the Finance Act 2000, in respect of financial year 2005, the result of which is a credit of £54k to the profit and loss account.

## Treasury Policies and Financial Risk

Surplus funds are intended to support the Group's short-term working capital requirements. These funds are invested through the use of short-term deposits and the policy is to maximise returns as well as provide the flexibility required to fund on-going operations. It is not the Group's policy to enter into financial derivatives for speculative or trading purposes.

## Interest Rate, Liquidity and Foreign Currency Risk

**Interest rate risk** – During the year the Group switched its mortgage facility to the National Westminster Bank Plc, increasing the balance outstanding to £1.3 million, repayable over a 13-year period commencing May 2007. The Group utilises the availability of an 'off-set' arrangement with the bank, which effectively means the Group currently pays a fixed rate of 1.5% over the National Westminster Bank Plc's base rate on the outstanding mortgage balance.

**Liquidity risk** – Surplus funds are invested on a short-term basis at money market rates and therefore such funds are available at very short notice.

**Currency risk** – The Group generated overseas turnover during the year, primarily from North America. The position regarding currency risk is regularly reviewed and hedging activities are initiated where appropriate, in addition the currency exposure has been partially offset by overseas expenditure.



Peter Coleman  
Finance Director

10 January 2006

## Board of Directors



Peter Fothergill



David Thatcher



Peter Coleman



David Bloxham



Michael Gatenby



Nigel Slater

### **Peter Fothergill BA FCIM (Age 60), Chairman**

Peter has 37 years experience in the international healthcare industry, including Chairmanship of Fisons Plc's multinational research-based Pharmaceutical Division and Consumer Health Division, where he led a series of strategic development initiatives, including acquisitions in North America, Europe and Asia, whilst achieving significant organic growth. He was main board director responsible for the majority of the Group's profits when Fisons Plc was a FTSE 100 company.

Peter subsequently formed his own strategic management company that has been involved in management buy-out and buy-in arrangements, consultancies and the creation of new businesses in the healthcare sector. He has been Chairman or director of 16 companies and is currently Chairman of I Holland Limited, the world's leading supplier of tablet moulding tools to the global pharmaceutical industry. He is a fellow of the Chartered Institute of Marketing and sits on the boards of various charitable and public bodies.

### **David Thatcher PhD (Age 58), Chief Executive**

David trained as a protein chemist at the Universities of Newcastle-upon-Tyne and Edinburgh. He pursued an academic career until 1981, when he moved to Biogen SA in Geneva where he worked on the isolation of recombinant cytokines. In 1985 he became Director of Process Development at Biogen Inc, Cambridge Mass., where he was responsible for the development of large-scale processes for the production of gamma interferon, GM-CSF and several other products.

In 1988 David left Biogen and joined Zeneca Pharmaceuticals as head of their Protein Production Laboratory where he was responsible for the production of a number of biopharmaceutical products for clinical evaluation. In 1994 he joined Therexsys Limited (now Cobra) as the second employee and has been responsible for managing the evolution of the Group's manufacturing technology and assets and developing the contract manufacturing business.

### **Peter Coleman FCMA MBA (Age 39), Finance Director**

Peter has over ten years experience in the pharmaceutical/biotechnology industry and has been Cobra's Finance Director since its flotation on AIM in June 2002. From 1994 to June 2002 he was employed by ML Laboratories Plc in a variety of senior financial and corporate development roles at ML's head office. Peter qualified as a chartered management accountant in 1996 and in 2001 was awarded an MBA with distinction jointly from the Manchester Business School and the University of Wales.

### **David Bloxham PhD (Age 58), Independent Non-executive Director**

David trained as a biochemist and pursued an academic career in Europe and America before entering the pharmaceutical industry. He has held a number of senior research and development positions and was a main board member of Celltech Plc and Laboratories Almira SA and is a former Chief Executive of Cobra Therapeutics Limited. He is currently the Chairman of Eolutec Group Plc and the Babraham Institute.

### **Michael Gatenby FCA (Age 61), Independent Non-executive Director**

Michael graduated from Cambridge University with Honours in Law. He is a chartered accountant and was a director of Hill Samuel and Co and Vice Chairman of Charterhouse Bank. He is currently a director of Johnson Service Group Plc, Porvair Plc, SRS Technology Group Plc and Chairman of Alliance Pharma Plc and he is also a Trustee/Director of the Stroke Association.

### **Nigel Slater FEng (Age 52), Independent Non-executive Director**

Nigel is Professor of Chemical Engineering at the University of Cambridge with research interests in the process development and formulation of biopharmaceuticals. His research portfolio has included collaborations with a number of leading pharmaceutical companies and he is the author of a number of scientific papers and patents. Prior to this he has served as a director and governor of the Silsoe Research Institute. In addition, he has relevant biomanufacturing development and engineering experience with Wellcome Plc, Unilever Nederland BV and Cobra Therapeutics Limited.

## Senior Management



**Martin Comberbach**



**Tony Mulcahy**



**Paul Stockbridge**



**Amanda Weiss**

### **Martin Comberbach PhD CEng CSci FIChemE (Age 50), Director of GMP Manufacturing Operations**

Martin was appointed Cobra's Director of GMP Manufacturing Operations in October 2005. He has 25 years international pharmaceutical/biotechnology experience.

Trained as a biochemical engineer, he has an MSc from University College London and a PhD from the University of Manchester. After completing his post-doctoral studies in North America, he began his industrial career as a development scientist at Allelix Biopharmaceuticals Inc, Canada. In 1986 he joined SmithKline RIT (now GSK Biologicals) in Belgium as Fermentation Manager, where he helped to develop human vaccine candidates. In 1998 he returned to the UK and joined Metris Therapeutics Ltd as Director of Scientific Operations, developing treatments for uterine fibroids and endometriosis. Prior to Cobra, he was Director of Manufacturing for GeneMedix Plc, manufacturing sterile, injectable, anti-cancer products in Shanghai for the Chinese market.

### **Tony Mulcahy BSc (Hons) PhD (Age 41), Director of Customer Relations and Marketing**

After gaining an honours degree in Biochemistry and Physiology at the University of Sheffield, Tony completed a PhD at the University of Newcastle-upon-Tyne, while conducting research over a period of seven years on autoimmune diseases.

He joined the research and development division of Cobra in 1994 and was involved in developing reliable, stable, high-level gene expression systems and cell-based delivery systems during seven years of research. In 2001, Tony joined the biopharmaceutical manufacturing division and has been involved in setting up the Business Development and Account Management functions within the Group. During his time in the Business development group he has held the positions of Associate Director of Business Development and European Director of Business Development before the recent promotion to his current position.

### **Paul Stockbridge BSc PhD CBiol MIBiol FIQA (Age 52), Corporate Director of Quality Assurance**

Paul was appointed Cobra's Corporate Director of Quality Assurance in October 2005. He holds a degree in Biological Sciences and a PhD in fermentation and is registered as a Qualified Person (QP) under the Permanent Provisions of the EU directives.

Paul has over 25 years experience in the pharmaceutical / biotechnology industry. He spent 23 years with Eli Lilly in the UK, the first 10 years of which were in fermentation development and production before transferring to the QA department. During the following 13 years he gained extensive experience in QA with responsibility for projects, quality systems, engineering, clinical trials API manufacture and recombinant biotechnology products. He acted as a Senior Quality Advisor for Eli Lilly and travelled frequently to the US and globally in connection with these activities. In 2002 he moved to Aventis Pharma where he was Head of Quality Operations at their Holmes Chapel site.

### **Amanda Weiss BSc (Hons) MSc (Eng) AMI ChemE (Age 35), Deputy Director of Manufacturing Operations**

Amanda graduated with an honours degree in Biochemistry at the University of Liverpool and then went on to read a Master's degree in Biochemical Engineering at the University of Birmingham. She joined Cobra in 1996 as a fermentation scientist. Amanda has 10 years of biopharmaceutical experience, including 8 years in a contract manufacturing environment. She has expertise in microbial and mammalian cell culture, scale-up, process engineering, GMP facility design and validation and the large-scale manufacture of biopharmaceuticals. She was also involved with the exemplification and publication of Cobra's ORT technology. She was originally responsible for all Cobra's fermentation activities for process development and the manufacturing of recombinant proteins, plasmid DNA and viruses.

Amanda is now responsible for all GMP Manufacturing Operations at Cobra's Keele facility. This also covers project management, production planning and scheduling activities for all of Cobra's customer programmes.

## Senior Management



Roy Cowell



Tony Hitchcock



Tracey Pughe



Sheena Pumford

### **Roy Cowell BSc (Hons) CSci CChem MRSC (Age 40), Deputy Director of Quality Assurance**

Roy joined Cobra in 1996 and has played a key role in setting up the Quality Control Department. He is a QP under Directive 2001/83/EC and has 19 years experience in the pharmaceutical/biotechnology industry. He is also a member of the Royal Society of Chemistry with Chartered Chemist status.

Roy began his career within the Safety of Medicines Department of Zeneca Pharmaceuticals (now AstraZeneca Plc), before moving into the Pharmaceutical Development Group. In this role Roy gained broad experience in process and formulation development for new chemical entities and a broad range of formulations. Prior to joining Cobra, Roy gained an honours degree in chemistry, awarded by Victoria University of Manchester and undertook a role as Analytical Chemist for the development of biopharmaceutical products.

### **Tony Hitchcock BSc (Age 44), Deputy Director of Process Science**

Tony has been employed at Cobra since 1994, working initially on the development of plasmid DNA purification and the manufacture of plasmid DNA, filing patents and publications on DNA manufacturing processes. More recently he has managed Cobra's purification and manufacturing teams involved in the process development of purification strategies for manufacture of plasmid DNA, virus and recombinant proteins for clinical trials. He was appointed Deputy Director of Process Science in December 2005.

Prior to Cobra, Tony worked for Zeneca Pharmaceuticals, developing purification procedures for recombinant proteins and the manufacture of these products for pre-clinical and early clinical studies, including immunotoxins and cytokines. He also worked for four years at the BioProducts Laboratory at Elstree (formerly Blood Products Laboratory), developing strategies to purify proteins from waste fractions from plasma fractionation.

### **Tracey Pughe ACMA BA (Hons) (Age 31), Group Financial Controller**

Tracey gained an honours degree in Business Economics from the University of Leicester in 1995. After graduating Tracey worked for ICL Sorbus Ltd and then Spiral Packs (London) Ltd where she obtained commercial experience as an Account Manager. She later went on to complete the Chartered Institute of Management Accountancy examinations whilst working for Elkes Biscuits Ltd, an operating division of Northern Foods Plc.

Tracey joined Cobra in September 2002 as Financial Controller and has played a key role in developing the Group's finance function.

### **Sheena Pumford CIPD (Age 44), Human Resource Manager**

After completing a management training course with a large retail organisation, Sheena was seconded to a training role with the responsibility for the training of over 100 staff and management. During this time she decided to specialise in the field of human resource management and spent the next 14 years in various training and personnel roles within two large retailing organisations.

In 1997 Sheena joined Cobra to set up a personnel department providing advice to staff and management on a wide range of personnel and training issues. She has spent the last 8 years in the role and during this time has completed an NVQ Level 4 in Personnel Management. Sheena has played a fundamental role in the recruitment and selection of employees as part of the Group's expansion plan.

# Report of the Directors

The directors of Cobra Biomanufacturing Plc present their report to the shareholders, together with the audited financial statements for the year ended 30 September 2005.

## Principal Activities

Cobra Biomanufacturing Plc is a holding company and its only subsidiary is Cobra Biologics Limited. The principal activity of the Group is the manufacture of protein, virus and DNA based pharmaceuticals.

## Trading Review

A review of the Group's business and activities is contained in the reports of the Chairman and the Chief Executive set out on page 2 and pages 3 to 4 respectively.

## Results and Dividend

The Group loss for the period after providing for taxation was £0.3m (2004: £2.4m loss) and an equivalent amount has been deducted from reserves. The directors do not propose the payment of an ordinary dividend (2004: nil).

The accumulated deficit carried forward for the Group amounted to £33.5m (2004: £33.2m).

A financial review of results is included on pages 5 to 7.

## Directors

The directors in office during the year are listed below. All served throughout the year:

|                         |                           |
|-------------------------|---------------------------|
| <b>Peter Fothergill</b> | Executive Chairman        |
| <b>David Thatcher</b>   | Chief Executive           |
| <b>Peter Coleman</b>    | Finance Director          |
| <b>David Bloxham</b>    | Independent Non-executive |
| <b>Michael Gatenby</b>  | Independent Non-executive |
| <b>Nigel Slater</b>     | Independent Non-executive |

Peter Coleman and David Bloxham retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

All directors are subject to re-election at intervals of no more than 3 years.

Details of directors' interests in the share capital of the Company, as shown in the register maintained in accordance with Section 325 of the Companies Act 1985, together with details of share options granted and awards made to directors are included in the Report on Directors' Remuneration on pages 16 to 19.

## Policy in Respect of Supplier Payments

The Company and its principal subsidiary undertaking agree terms and conditions for transactions with suppliers and pay suppliers within the agreed time, provided that suppliers comply with those terms and conditions. At 30 September 2005 the trade creditors for the Company represented 59 days (2004: 53 days) of the amounts invoiced by suppliers.

## Environmental Policy

The Group recognises the importance of good environmental practice and, whilst its activities have a relatively low environmental impact, the Group has strict environmental policies on the discharge of waste and endeavours to comply at all times with national government and local authority regulations.

## Charitable and Political Contributions

During the year the Group made no political or charitable contributions.

## Employee Involvement

The Group recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Group. The Group operates a share option scheme, which allows individuals to apply for their options to be granted within the Enterprise Management Incentive Scheme.

Each employee receives a staff handbook, which outlines the Group's employment policies and includes a commitment to equal opportunity. The handbook is designed to attract and motivate employees regardless of sex, race, religion or disability.

The Group is committed to ensuring a safe and healthy working environment for all employees, consistent with the requirements of health and safety legislation and wherever practicable gives full consideration to applications for employment from disabled persons.

## Employee Share Schemes

Employee involvement in financial performance is encouraged through participation in the Company's share option schemes. At 30 September 2005, 79 employees, including directors, held options over 1,864,790 ordinary shares in the Company's share option scheme. Further information on share options is shown in note 18 on page 33.

# Report of the Directors

## Major Interests in Shares

At 3 January 2006, the following shareholders held interests in excess of 3% of the ordinary share capital:

|  | Percentage holding | Number of ordinary shares |
|--|--------------------|---------------------------|
| Invesco UK                                       | 14.9%              | 2,900,200                 |
| Collins Stewart (CI) Limited                     | 8.7%               | 1,693,750                 |
| Cavendish Asset Management                       | 5.7%               | 1,115,000                 |
| Barclays Stockbrokers                            | 5.6%               | 1,092,125                 |
| New Star Select Opportunities Fund               | 5.1%               | 1,000,000                 |
| Fidelity Investments                             | 3.6%               | 701,900                   |
| TD Waterhouse                                    | 3.5%               | 678,041                   |
| ISIS Asset Management                            | 3.3%               | 649,558                   |
| Smith & Williamson Barro Trust (Collins Stewart) | 3.1%               | 600,000                   |

No other person has notified an interest in the ordinary share capital of the Company.

## Annual General Meeting

The Annual General Meeting of the Company will be held on 6 April 2006 at 11:00am at the offices of Buchanan Communications Limited, 45 Moorfields, London, EC2Y 9AE. The notice of the Annual General Meeting, together with notes on the resolutions, is on pages 37 and 38.

In addition to the ordinary business there are three items of special business for consideration at the forthcoming Annual General Meeting. These are:

1. An ordinary resolution to renew the directors' authority for the purpose of Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot, or agree to allot, authorised but unissued (and unreserved share capital of the Company). The authority will relate to 7,492,720 ordinary shares of 10p each, representing 38% of the current issued ordinary share capital of the Company, and will expire at the conclusion of the next Annual General Meeting of the Company or if sooner, 2 July 2007. The directors have no present intention of exercising the authority, which will be conferred by this resolution, other than through the grant of options pursuant to the Company's share option scheme or the new Cobra Biomanufacturing Plc Long Term Incentive Plan which is referred to in Paragraph 3 below.
2. A special resolution to renew until the end of the next Annual General Meeting or, if sooner, 2 July 2007 the directors' power to allot equity securities (within the meaning of Section 94 of the Act) for cash other than pro rata to existing shareholders. This power will relate to allotments in respect of rights issues (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) and to allotments (other than in respect of rights issues) of equity securities having an aggregate nominal value not exceeding £97,500 (being 5% of the issued equity share capital of the Company). The directors consider that it is in the best interests of the shareholders that the Board should have this limited power in order to retain flexibility.
3. An ordinary resolution to approve the adoption by the Company of the Cobra Biomanufacturing plc 2006 Long Term Incentive Plan the principal terms of which are summarised in Appendix 1 of the circular to shareholders dated 31 January 2006 and to approve the establishment by the Company of the Cobra Biomanufacturing plc 2006 Employee Benefit Trust the principal terms of which are summarised in Appendix 2 of the circular to shareholders dated 31 January 2006 and to authorise the directors to do all such acts or things as may be necessary or desirable to implement the same.

In the opinion of the directors the passing of these resolutions is in the best interests of the shareholders.

# Report of the Directors

## Statement of Directors' Responsibilities in Respect of the Accounts

Company Law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

## Going Concern

The directors have reviewed the budget, cash flow and other relevant information and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis for the preparation of the accounts.

## Auditors

Ernst & Young LLP were re-appointed auditors at the Annual General Meeting held on 7 April 2005. They have expressed their willingness to continue in office and a resolution to reappoint them as auditors and to authorise the directors to determine their remuneration will be proposed at the next Annual General Meeting.

**By order of the Board**



**Matthew Baker**  
Company Secretary

10 January 2006

# Corporate Governance Statement

## The Combined Code

The directors are committed to high standards of corporate governance. The Board is accountable to its shareholders for good corporate governance and is adopting the necessary structures and procedures, where possible and having regard to the size of the Group, to comply with the Combined Code.

Although Cobra is listed on the Alternative Investment Market and therefore does not need to comply with the Combined Code, the Board has reviewed the corporate governance of the Company and has implemented changes it has felt appropriate, given the Company's size. The Board will continue to review the corporate governance of the Company during the next financial year.

This statement describes the approach of the Company and the application of the principles identified in the current code, which are being applied.

## Application of the Principles of the Combined Code

### The Board

The Board of Directors comprises three executive directors, including the Chairman, and three independent non-executive directors. The executive directors have a clear division of duties and meet to direct and control strategy and the operating performance of the Group. This includes the approval and monitoring of budgets, reviewing trade performance and determining risk management policies. The Group also has a schedule of matters reserved for the decision of the Board. There is an agreed procedure for directors in the furtherance of their duties to take independent professional advice if necessary, at the Company's expense.

The board met six times in 2005, with each member attending as follows:

| Board Member     | No of meetings held whilst a member | No of meetings attended |
|------------------|-------------------------------------|-------------------------|
| Peter Fothergill | 6                                   | 6                       |
| David Thatcher   | 6                                   | 6                       |
| Peter Coleman    | 6                                   | 6                       |
| David Bloxham    | 6                                   | 6                       |
| Michael Gatenby  | 6                                   | 6                       |
| Nigel Slater     | 6                                   | 6                       |

## Board Committees

The following committees deal with specific aspects of the Group's affairs:

**Audit Committee** – comprises the non-executive directors with Michael Gatenby as Chairman. The Committee meets at least three times a year and the meetings are arranged to tie in with the publication of the Company's financial statements. The Committee will also meet on an ad-hoc basis where necessary. The external auditors attend the meetings at the invitation of the Committee and report as appropriate.

The Committee operates within specific terms of reference, which include reviewing the Group's accounting policies, financial reporting, internal control and risk management processes. It reviews the need to appoint an internal audit function, and also considers the appointment and fees of the external auditors together with their independence and objectivity.

**Remuneration Committee** – comprises the non-executive directors with Nigel Slater as Chairman. It recommends to the Board the policy on executive remuneration and it determines on behalf of the Board, the terms and conditions of service for each executive director. The Report on Directors' Remuneration is set out on pages 16 to 19.

**Nomination Committee** – comprises the Chairman, Peter Fothergill who is also Chairman of the Committee and the non-executive directors. The Committee operates within specific terms of reference, which includes a regular review of the Board structure, size and composition and identifying and nominating candidates to fill board vacancies, as and when they arise.

# Corporate Governance Statement

## Risk Management and Internal Control

The Board is responsible for establishing and maintaining the Group's system of internal control, which is designed to meet the particular needs of the Group and the risks to which it is exposed. Such a system is designed to manage these risks, to provide reasonable but not absolute assurance against material misstatement or loss and to maintain proper accounting records to ensure the integrity of financial information used within the business and for external publication.

The Group's established internal control procedures include the following:

1. A schedule of matters reserved for the Board. The Board of Directors has overall responsibility for the effective running of the Group and it has a formal schedule of matters, which are specifically reserved for decisions by the Board.
2. The Board meet to manage the affairs of the Group. The Group's financial and operating performance is closely monitored at each Board meeting with formal Board reports from the Chief Executive and the Finance Director covering their areas of the business.
3. The Group's senior management team, including executive and non-executive directors meet twice a year for a strategic review. The purpose of which is to formulate a long-term strategy for the Group and develop a strategic framework for the achievement of the Group's financial targets.
4. The Group's Executive Committee meets monthly to review the performance of the Group. The Executive Committee is comprised of the operational senior management, who each provide a monthly report. Each of the senior managers operates within a clearly defined Group structure, and each member is given the appropriate operational authority.
5. The Group prepares an annual budget, developed through a comprehensive operational budgeting process prior to the commencement of the financial year. A revised forecast is prepared at the half year. The budget and the revised forecast are reviewed and approved by the Board and the Executive Committee.
6. The Board and the Executive Committee then monitor the actual monthly financial performance of the Group against the budget and the half-year revised forecast, with any significant variances highlighted and explained.

The Board also recognises the need for an effective risk management process, and has therefore reinvigorated during the financial year the development of an integrated risk management process for the Group. The process has

identified and prioritised the major strategic risks facing the Group, and reviewed the current controls in place for each risk and recommended a strategy for improvement. Stage two will be to then embed a risk review process into the established internal control procedures of the Group during the next financial year. The financial review also provides some further information on the risks the Group faces.

## Relations with Shareholders

The Board recognises the importance of continual communications with shareholders and will maintain a programme of regular dialogue with its investors, including presentations following the Company's announcements of its preliminary full year figures and of the half year results.

There is also an opportunity, at the Company's Annual General Meeting for individual shareholders to raise general business matters with the full Board and notice of the Company's Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting. The Chairmen of the Audit, Remuneration and Nomination Committees will be available at the Annual General Meeting to answer questions.

The Annual Report is to be published on the Company's website, [www.cobrabio.com](http://www.cobrabio.com) which also includes previous financial reports, press releases, presentations and other announcements made during the year.

# Report on Directors' Remuneration

This report describes the role and composition of the Remuneration Committee ("the Committee"), the Group's remuneration policy and the arrangements currently in place in respect of both executive and non-executive directors.

## Reward Philosophy

To ensure corporate success and enhance shareholder value, the Group needs people of high calibre able to meet the challenges it faces.

The Group's overall remuneration policy aims are to:

1. Attract, develop, motivate and keep talented people at director and senior executive level.
2. Pay competitive total compensation packages to directors and senior executives, with a significant component linked to the attainment of performance targets. When pay levels are set, account is taken of the work a director does, what is paid in other companies for that work and how well the Group's businesses are performing; and
3. Encourage its directors to hold shares in the Company, which the Committee believes is an effective way of bringing together their interests with those of external shareholders.

The Company promotes greater ownership of its shares and offers directors the opportunity to participate in the Company's share options scheme.

## Non-Executive Directors' Remuneration

Non-executive directors are appointed for an initial period of twelve months and then on a rolling contract subject to three months' notice either by themselves or the Company at a salary determined by the executive directors. All directors are subject to re-election at an Annual General Meeting at least every three years. The Board set the remuneration of the non-executive directors with reference to third party consultants. The non-executive directors receive a basic salary and do not participate in the bonus arrangements, healthcare arrangements, company share option schemes or the pension scheme. The Company repays the reasonable expenses they incur in carrying out their duties as directors. Non-executive directors' remuneration for the year ended 30 September 2005 is set out in the following table:

|                               | <b>Total<br/>2005<br/>£</b> | Total<br>2004<br>£ |
|-------------------------------|-----------------------------|--------------------|
| <b>Non-executive director</b> |                             |                    |
| David Bloxham                 | <b>22,500</b>               | 21,750             |
| Michael Gatenby               | <b>22,500</b>               | 18,519             |
| Nigel Slater                  | <b>22,500</b>               | 21,750             |
| <b>Total</b>                  | <b>67,500</b>               | 62,019             |

## Executive Directors' Remuneration

The Committee makes recommendations to the Board on the Group's framework of executive remuneration and its cost. It decides the specific remuneration benefits, employment conditions, pension rights, compensation payments and severance terms for the executive directors and the remuneration framework for the other senior executives.

The Committee investigates and takes into account the remuneration paid to the directors of other companies of a similar size and comparable industry sector in the UK, to ensure that the levels of remuneration paid by the Group are appropriate. The primary source of this information was provided through subscription and access to the annual New Bridge Street Consultants' "Biotechnology Industry Remuneration Survey". The Committee met formally once in the year to 30 September 2005 in addition to regular discussion and the Board accepted the Committee's recommendations without amendment.

The members of the Committee are David Bloxham, Michael Gatenby and Nigel Slater as Chairman. The members of the Committee have no personal financial interest in the Company other than as shareholders and the fees paid to them as non-executive directors. They are not involved in the day-to-day running of the Group's businesses.

Although not members of the Committee, the Chairman and Chief Executive may be invited to attend meetings and the Committee consults them on proposals relating to the remuneration of executive directors and appropriate senior executives. They do not attend when the Committee discusses matters relating to their own remuneration.

## Reward Policy

The Committee's policy for executive directors' remuneration is to:

1. Pay a basic salary, which competes with other companies of similar size and complexity in the biotechnology sector.
2. Give executives the opportunity to increase their earnings by meeting and outperforming short term and long term objectives that are key to the growth of the Group. In this way, the Committee links executives' rewards directly to the Group's performance and shareholders' interests;
3. Evolve compensation schemes that encourage executives to hold shares in the Company (such as a long term incentive plan); and
4. Overall, reward executives fairly and responsibly for their contribution to the Group's short and long term performance.

# Report on Directors' Remuneration

## Elements of Remuneration

In deciding the executive directors' total remuneration package and individual elements of it, the Committee refers to the reward policy and assesses where the Company should be positioned relative to other companies. It has obtained independent advice on appropriate comparisons and treats them cautiously. The main elements of executive directors' remuneration are as follows:

### Basic Salary

The Committee reviews basic salaries each year taking account of the various factors, elements and policies set out earlier, including Group performance. Any changes are made with effect from 1 January. The basic salaries of the executive directors are set out in the table overleaf.

### Annual Bonus

The annual bonus further motivates the executive directors and other senior executives to achieve the Group's key operational and strategic objectives during the financial year. The Committee reviews regularly the basis of the bonus and the targets to be achieved.

The directors' bonus for the financial year 2005 was determined by both quantitative and qualitative considerations and was directly linked to the financial year. The quantitative objectives were based on Group turnover, PBIT shareholder value and cash management and the qualitative objectives were based on personal and team achievements.

The Chief Executive was entitled to receive up to a maximum of 50%, the Finance Director 40% and the Chairman 30% of their basic salaries under this scheme. In addition the Committee may award an additional discretionary bonus where merited.

## Elements of Remuneration

The basic salary, bonus, pension and benefits awarded to the executive directors during the year were as follows:

|                            | Basic<br>salary<br>£ | Bonus<br>£    | Benefits<br>£ | Remuneration<br>2005<br>£ | Pension<br>2005<br>£ | Remuneration<br>2004<br>£ | Pension<br>2004<br>£ |
|----------------------------|----------------------|---------------|---------------|---------------------------|----------------------|---------------------------|----------------------|
| <b>Executive directors</b> |                      |               |               |                           |                      |                           |                      |
| David Thatcher             | 165,767              | 20,000        | 6,669         | 192,436                   | 16,360               | 221,168                   | 12,067               |
| Peter Fothergill           | 102,250              | 10,000        | 2,191         | 114,441                   | 15,338               | 147,420                   | 15,000               |
| Peter Coleman              | 92,025               | 10,000        | 5,274         | 107,299                   | 6,441                | 119,829                   | 5,981                |
| <b>Total</b>               | <b>360,042</b>       | <b>40,000</b> | <b>14,134</b> | <b>414,176</b>            | <b>38,139</b>        | <b>488,417</b>            | <b>33,048</b>        |

Taking these factors into account the Committee recommended the payment of bonuses as shown in the table below in recognition of the substantial improvement in the Group's turnover and cash flow. In addition the Committee recognised the significant personal achievement in realising the strategy for diversification of the Group's product portfolio and geographic focus.

### Other Benefits

Benefits for the Chief Executive, David Thatcher and the Finance Director, Peter Coleman comprise the provision of a motor car, private healthcare, death and disability in service cover. The Chairman, Peter Fothergill receives a provision for private healthcare and death and disability in service cover.

### Pension Arrangements

The Chief Executive, David Thatcher and the Finance Director, Peter Coleman, are members of the Group's defined contribution personal pension scheme, which is open to all employees. The Group makes a contribution of 10% of salary for David Thatcher and 7% for Peter Coleman and both are required to make a minimum contribution of 3% of their basic salary. The scheme also provides a lump sum death in service benefit. The Chairman, Peter Fothergill, receives from the Group a contribution of 15% of his basic salary to his defined contribution personal pension plan.

### Service Contracts

The Executive Directors have a notice period of one year. There are no special provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

# Report on Directors' Remuneration

## Directors' Interests

At 30 September 2005, the directors had the following beneficial interests in the Company's shares and options to subscribe for shares under the Company's share option scheme:

|                                | Ordinary shares<br>of 10p each |            | Share options |            |
|--------------------------------|--------------------------------|------------|---------------|------------|
|                                | 2005<br>No                     | 2004<br>No | 2005<br>No    | 2004<br>No |
| <b>Executive directors</b>     |                                |            |               |            |
| David Thatcher                 | 60,500                         | 60,500     | 615,794       | 615,794    |
| Peter Fothergill               | 60,000                         | 60,000     | 479,981       | 479,981    |
| Peter Coleman                  | 15,500                         | 15,500     | 167,079       | 167,079    |
| <b>Non-executive directors</b> |                                |            |               |            |
| David Bloxham                  | 17,200                         | 17,200     | -             | -          |
| Michael Gatenby                | 30,000                         | 30,000     | -             | -          |
| Nigel Slater                   | 9,000                          | 9,000      | -             | -          |

From the end of the financial year until 10 January 2006 there have been no changes in the above interests.

## Executive Share Options

The executive directors have been awarded share options over the Company's shares as follows:

|                            | At<br>1 October<br>2004<br>No | Granted<br>in year<br>No | At<br>30 September<br>2005<br>No | Exercise<br>price<br>pence | Date from<br>which<br>exercisable | Expiry<br>date |
|----------------------------|-------------------------------|--------------------------|----------------------------------|----------------------------|-----------------------------------|----------------|
| <b>Executive directors</b> |                               |                          |                                  |                            |                                   |                |
| David Thatcher             | 230,000                       | -                        | 230,000                          | 100.0                      | 14.06.05                          | 12.06.12       |
|                            | 269,430                       | -                        | 269,430                          | 96.5                       | 08.07.06                          | 06.07.13       |
|                            | 116,364                       | -                        | 116,364                          | 27.5                       | 13.07.07                          | 11.07.14       |
|                            | 615,794                       | -                        | 615,794                          |                            |                                   |                |
| Peter Fothergill           | 200,000                       | -                        | 200,000                          | 100.0                      | 14.06.05                          | 12.06.12       |
|                            | 207,254                       | -                        | 207,254                          | 96.5                       | 08.07.06                          | 06.07.13       |
|                            | 72,727                        | -                        | 72,727                           | 27.5                       | 13.07.07                          | 11.07.14       |
|                            | 479,981                       | -                        | 479,981                          |                            |                                   |                |
| Peter Coleman              | 60,000                        | -                        | 60,000                           | 100.0                      | 14.06.05                          | 12.06.12       |
|                            | 74,352                        | -                        | 74,352                           | 96.5                       | 08.07.06                          | 06.07.13       |
|                            | 32,727                        | -                        | 32,727                           | 27.5                       | 13.07.07                          | 11.07.14       |
|                            | 167,079                       | -                        | 167,079                          |                            |                                   |                |

All of the share options to the directors were granted at the closing mid market price on the last dealing day before grant. The market price of the Company's shares at 30 September 2005 was 46.0 pence (30 September 2004 23.5 pence) and the range during the year was 23.5 pence to 70.0 pence.

# Report on Directors' Remuneration

## Introduction of the New Cobra Biomanufacturing Plc 2006 Long Term Incentive Plan

The Committee has recently reviewed the total remuneration of directors and senior executives and recommended the introduction of a new long term incentive plan to be known as the Cobra Biomanufacturing plc 2006 Long Term Incentive Plan ("the Plan") and the establishment of a new employee benefit trust to be known as the Cobra Biomanufacturing plc 2006 Employee Benefit Trust ("the EBT"). The Plan and EBT are considered to be necessary to enhance the link between the remuneration of directors and senior executives and the Company's long term performance. A resolution to adopt the Plan and EBT will be put to shareholders at the Annual General Meeting of the Company and further details of the resolution are contained in the notice of the Annual General Meeting set out on pages 37 and 38 of this report.

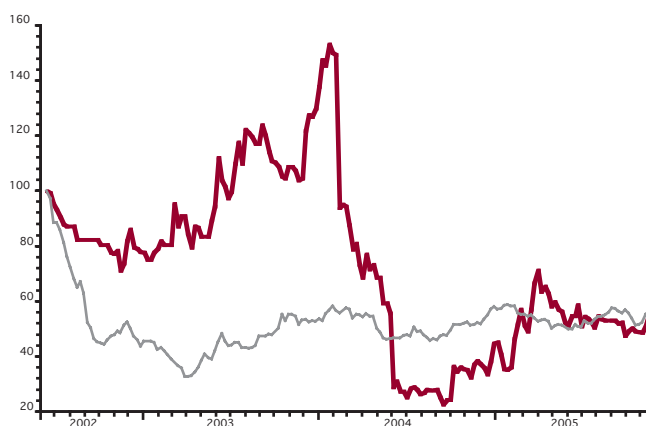
## TSR Performance Graph

The graph shows the Company's TSR ("Total Shareholder Return") compared to the FTSE Small Cap Pharmaceutical & Biotechnology Sector for the period from 13 June 2002 to 30 November 2005. TSR is defined as share price growth plus reinvested dividends. Given its size and market sector, the Company believes that they are the most appropriate basis for comparison as a relevant equity index of which it is a member.



**Nigel Slater**  
Chairman – Remuneration Committee

10 January 2006



— Cobra Bio-Manufacturing – Tot return Ind  
— FTSE S/C Pharm & Biotec – Tot return Ind

Source: Datastream

# Independent Auditors' Report to the members of Cobra Biomanufacturing Plc

We have audited the Group's financial statements for the year ended 30 September 2005, which comprise Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the 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 Company's members those matters we are required to state to them in an auditors' 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including the financial statements, which are required to be prepared in accordance with United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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, if the Report of the Directors 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 transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Financial Highlights, Chairman's Statement, Chief Executive's Review, Financial Review, Report of the Directors, Corporate Governance Statement and Report on Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

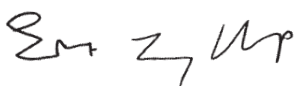
## Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2005 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Manchester

20 January 2006

# Group Profit and Loss Account

for the Year Ended 30 September 2005

|   | Notes | 2005<br>£   | 2005<br>£        | 2004<br>£   | 2004<br>£          |
|---|-------|-------------|------------------|-------------|--------------------|
| Turnover  | 2     |             | 7,720,576        |             | 3,516,351          |
| Cost of sales   |       |             | (3,397,853)      |             | (1,951,044)        |
| <b>Gross profit</b>   |       |             | <b>4,322,723</b> |             | <b>1,565,307</b>   |
| Sales, marketing and distribution costs                                   |       |             | (1,000,804)      |             | (750,410)          |
| Administrative expenses   |       |             |                  |             |                    |
| Research and development  |       | (265,192)   |                  | (330,587)   |                    |
| Other administrative expenses   |       | (3,408,230) |                  | (2,868,375) |                    |
|   |       |             | (3,673,422)      |             | (3,198,962)        |
| <b>Operating loss on ordinary activities before interest and taxation</b> | 3     |             | <b>(351,503)</b> |             | <b>(2,384,065)</b> |
| Bank interest receivable  |       | 79,219      |                  | 177,260     |                    |
| Interest payable  | 5     | (122,155)   |                  | (64,370)    |                    |
|   |       |             | (42,936)         |             | 112,890            |
| <b>Loss before tax</b>  |       |             | <b>(394,439)</b> |             | <b>(2,271,175)</b> |
| Taxation  | 6     |             | 53,568           |             | (126,675)          |
| <b>Retained loss for the year</b>   |       |             | <b>(340,871)</b> |             | <b>(2,397,850)</b> |
| <b>Loss per share</b>   |       |             |                  |             |                    |
| Basic   | 8     |             | (1.7)p           |             | (12.3p)            |
| Diluted   | 8     |             | (1.7)p           |             | (12.3p)            |

## Group Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the loss for the year ended 30 September 2005 of £340,871 and the loss of £2,397,850 in the year ended 30 September 2004.

# Balance Sheets

at 30 September 2005

|  | Notes   | 2005<br>£          | Group<br>2004<br>£ | 2005<br>£          | Company<br>2004<br>£ |
|--|---------|--------------------|--------------------|--------------------|----------------------|
| <b>Fixed assets</b>  |         |                    |                    |                    |                      |
| Tangible assets  | 9       | 7,495,274          | 7,168,024          | -                  | -                    |
| Investments  | 10      | -                  | -                  | 600,000            | 600,000              |
|  |         | <b>7,495,274</b>   | 7,168,024          | <b>600,000</b>     | 600,000              |
| <b>Current assets</b>  |         |                    |                    |                    |                      |
| Stocks and work in progress                                    | 11      | 231,652            | 275,504            | -                  | -                    |
| Debtors  | 12      | 2,013,909          | 1,591,730          | 1,679,393          | 69,797               |
| Cash at bank and in hand                                       |         | 3,035,884          | 3,158,573          | 2,668,205          | 3,024,801            |
|  |         | <b>5,281,445</b>   | 5,025,807          | <b>4,347,598</b>   | 3,094,598            |
| <b>Creditors: amounts falling due within one year</b>          | 13      | <b>(2,781,400)</b> | (2,203,797)        | <b>(412,185)</b>   | (435,049)            |
| <b>Net current assets</b>                                      |         | <b>2,500,045</b>   | 2,822,010          | <b>3,935,413</b>   | 2,659,549            |
| <b>Total assets less current liabilities</b>                   |         | <b>9,995,319</b>   | 9,990,034          | <b>4,535,413</b>   | 3,259,549            |
| <b>Creditors: amounts falling due after more than one year</b> | 14      | <b>(2,183,033)</b> | (1,838,877)        | <b>(1,280,000)</b> | -                    |
| <b>Net assets</b>  |         | <b>7,812,286</b>   | 8,151,157          | <b>3,255,413</b>   | 3,259,549            |
| <b>Capital and reserves</b>                                    |         |                    |                    |                    |                      |
| Called up share capital  | 18 & 19 | 1,950,727          | 1,950,000          | 1,950,727          | 1,950,000            |
| Share premium  | 19      | 9,633,766          | 9,632,493          | 9,633,766          | 9,632,493            |
| Merger reserve   | 19      | 29,728,872         | 29,728,872         | -                  | -                    |
| Profit and loss account  | 19      | (33,501,079)       | (33,160,208)       | (8,329,080)        | (8,322,944)          |
| <b>Equity shareholders' funds</b>                              |         | <b>7,812,286</b>   | 8,151,157          | <b>3,255,413</b>   | 3,259,549            |

The financial statements on pages 21 to 36 were approved by the Board of Directors on 10 January 2006 and were signed on its behalf by:



David Thatcher  
Chief Executive



Peter Coleman  
Finance Director

# Group Statement of Cash Flows

for the Year Ended 30 September 2005

|   | Notes | 2005<br>£        | 2004<br>£   |
|---|-------|------------------|-------------|
| <b>Net cash inflow/(outflow) from operating activities</b>                      | 20    | <b>571,662</b>   | (2,014,490) |
| <b>Returns on investment and servicing of finance</b>                           |       |                  |             |
| Interest received   |       | 79,219           | 177,260     |
| Interest on bank loans  |       | (45,331)         | (11,441)    |
| Interest element of finance lease rental payments                               |       | (76,824)         | (52,929)    |
|   |       | <b>(42,936)</b>  | 112,890     |
| <b>Taxation</b>   |       |                  |             |
| R&D tax credit  |       | 69,189           | 323,278     |
| <b>Capital expenditure</b>  |       |                  |             |
| Payments to acquire tangible fixed assets                                       |       | (786,461)        | (3,179,500) |
| <b>Net cash outflow before the management of liquid resources and financing</b> |       | <b>(188,546)</b> | (4,757,822) |
| <b>Management of liquid resources</b>   |       |                  |             |
| Decrease in short-term deposits   |       | 352,077          | 3,765,226   |
| <b>Financing</b>  |       |                  |             |
| Issue of ordinary shares  |       | 2,000            | -           |
| Repayment of long-term loans  |       | (1,067,639)      | (19,861)    |
| New long-term loans   |       | 1,280,000        | -           |
| Repayment of capital element of finance leases                                  |       | (341,231)        | (451,661)   |
| Lease finance acquired  |       | 192,727          | 1,126,166   |
|   |       | <b>65,857</b>    | 654,644     |
| <b>Increase/(decrease) in cash</b>  |       | <b>229,388</b>   | (337,952)   |

## Reconciliation of Net Cash Flow to Movement in Net Funds

|  | Notes | 2005<br>£        | 2004<br>£   |
|--|-------|------------------|-------------|
| <b>Increase/(decrease) in cash</b>             |       | <b>229,388</b>   | (337,952)   |
| Cash (inflow)/outflow from loans               |       | (212,361)        | 19,861      |
| Repayment of capital element of finance leases |       | 341,231          | 451,661     |
| Lease finance acquired                         |       | (376,884)        | (1,126,166) |
| Cash inflow from short-term deposits           |       | (352,077)        | (3,765,226) |
| <b>Movement in net funds during the period</b> |       | <b>(370,703)</b> | (4,757,822) |
| <b>Net funds at the start of the year</b>      |       | <b>917,112</b>   | 5,674,934   |
| <b>Net funds at the end of the year</b>        | 20    | <b>546,409</b>   | 917,112     |

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 1 ACCOUNTING POLICIES

### Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

### Basis of consolidation and presentation of financial statements

The Group accounts comprise the accounts of Cobra Biomanufacturing Plc and its subsidiary undertaking Cobra Biologics Limited up to 30 September 2005. No profit and loss account is presented for Cobra Biomanufacturing Plc as permitted by Section 230 of the Companies Act 1985.

### Turnover and revenue recognition

Turnover, which excludes value added tax, represents amounts receivable in respect of the sale of goods and services during the year. Turnover on fixed contracts is invoiced in accordance with the terms of the agreement with the customer and is recognised based upon the stage of completion when the outcome of the contract can be foreseen with reasonable certainty and after allowing for costs of completion.

### Tangible assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less residual value of each asset evenly over its expected useful life as follows:

|                                       |                           |
|---------------------------------------|---------------------------|
| Freehold land & buildings             | between 15 and 25 years   |
| Plant and laboratory equipment        | between 6.67 and 10 years |
| Short leasehold building improvements | 6.67 years                |
| Office equipment                      | 4 years                   |
| Motor vehicles                        | 3 years                   |

The cost of tangible fixed assets includes directly attributable finance costs, calculated on a day to day basis, on expenditure incurred during construction and modification. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Assets under construction include the costs directly attributable to bringing the asset into working condition for its intended use.

### Government Grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

### Stocks

Stocks are valued in the balance sheet at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Cost is calculated on a first in first out basis.

Raw materials purchase cost on a first in first out basis.

Work in progress cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

### Research and development

Research and development expenditure is written off in the period in which it is incurred, and includes *inter alia* all internal and external costs incurred in patenting, external studies and consultancy.

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 1 ACCOUNTING POLICIES (continued)

### Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

### 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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

### Pension costs

The Group operates a defined contribution scheme, covering all eligible employees. Contributions are charged to the profit and loss account on an accruals basis.

### Derivatives and other financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. The Group also uses interest rate swaps to adjust interest rate exposures.

#### *Forward foreign currency contracts*

The criteria for forward foreign currency contracts are:

- The instrument must be related to a firm foreign currency commitment;
- It must involve the same currency as the hedged item; and
- It must reduce the risk of foreign currency exchange rate movements on the Group's operation.

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 2 TURNOVER

The Group operates in one area of activity, that of contract manufacture.

All turnover originates from the UK. The geographical analysis of turnover by destination is as follows:

|                   | 2005             | 2004             |
|-------------------|------------------|------------------|
|                   | £                | £                |
| United Kingdom    | 1,284,832        | 1,992,637        |
| North America     | 6,138,082        | 1,096,887        |
| Europe            | 209,976          | 262,990          |
| Rest of the World | 87,686           | 163,837          |
|                   | <b>7,720,576</b> | <b>3,516,351</b> |

## 3 OPERATING LOSS

|  | 2005     | 2004     |
|--|----------|----------|
|  | £        | £        |
| This is stated after charging:                   |          |          |
| Auditors' remuneration                           |          |          |
| - audit services                                 | 30,000   | 25,250   |
| - non audit services                             | 18,741   | 20,986   |
| Depreciation of owned assets                     | 517,839  | 278,505  |
| Depreciation of assets held under finance leases | 193,302  | 113,441  |
| Operating leases                                 |          |          |
| - hire of other assets                           | 24,057   | 7,773    |
| - rental of premises                             | 214,169  | 171,295  |
| Government grants                                | (54,389) | (24,540) |

£15,000 (2004: £12,625) of audit fees and £7,548 (2004: £7,816) of non audit fees relates to the Company. The non audit fees were primarily for taxation and accountancy services.

## 4 STAFF COSTS

|                       | 2005             | 2004             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Wages and salaries    | 3,172,547        | 2,882,159        |
| Social security costs | 310,160          | 277,466          |
| Other pension costs   | 152,338          | 134,374          |
|                       | <b>3,635,045</b> | <b>3,293,999</b> |

The average monthly number of employees during the year was made up as follows:

|                                     | 2005      | 2004      |
|-------------------------------------|-----------|-----------|
|                                     | No.       | No.       |
| Manufacturing                       | 61        | 58        |
| Selling, marketing and distribution | 8         | 6         |
| Research and development            | 3         | 3         |
| Administration                      | 22        | 21        |
|                                     | <b>94</b> | <b>88</b> |

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 4 STAFF COSTS (continued)

### Directors' remuneration

|   | 2005<br>£      | 2004<br>£ |
|---|----------------|-----------|
| Aggregate emoluments  | 481,676        | 550,436   |
| Company contributions to defined contributions pension scheme | 38,139         | 33,048    |
|   | <b>519,815</b> | 583,484   |

### Remuneration to highest paid director

|   | 2005<br>£      | 2004<br>£ |
|---|----------------|-----------|
| Aggregate emoluments  | 192,436        | 221,168   |
| Company contributions to defined contributions pension scheme | 16,360         | 12,067    |
|   | <b>208,796</b> | 233,235   |

## 5 INTEREST RECEIVABLE AND PAYABLE

|                                    | 2005<br>£      | 2004<br>£ |
|------------------------------------|----------------|-----------|
| <b>Interest receivable</b>         |                |           |
| Bank interest receivable           | 79,219         | 177,260   |
| <b>Interest payable</b>            |                |           |
| Interest payable on bank loans     | 45,331         | 11,441    |
| Interest payable on finance leases | 76,824         | 52,929    |
|                                    | <b>122,155</b> | 64,370    |

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 6 TAXATION

The Group is entitled to Research and Development tax relief under Schedule 20 of the Finance Act 2000, in respect of the years ended 30 September 2005 and 2004.

|  | 2005<br>£       | 2004<br>£       |
|--|-----------------|-----------------|
| <b>Taxation on loss on ordinary activities</b> |                 |                 |
| <b>Current tax</b>                             |                 |                 |
| Tax credit in relation to R&D claim            | (49,290)        | (64,910)        |
| Adjustments in respect of previous periods     | (4,278)         | (33,415)        |
| <b>Total current tax</b>                       | <b>(53,568)</b> | <b>(98,325)</b> |
| <b>Deferred tax</b>                            |                 |                 |
| Origination and reversal of timing differences | -               | 225,000         |
| <b>Total deferred tax</b>                      | <b>-</b>        | <b>225,000</b>  |
| <b>Total tax</b>                               | <b>(53,568)</b> | <b>126,675</b>  |

### Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

|   | 2005<br>£       | 2004<br>£       |
|---|-----------------|-----------------|
| Loss on ordinary activities before tax  | (394,439)       | (2,271,175)     |
| Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2004: 30%) | (118,332)       | (681,353)       |
| <b>Effect of</b>  |                 |                 |
| Disallowed expenses and non taxable income  | 39,407          | (30,540)        |
| Depreciation (not in excess)/in excess of capital allowances  | (21,643)        | 108,483         |
| Other timing differences  | 3,184           | 4,985           |
| Adjustment in respect of previous periods   | (4,278)         | (33,415)        |
| Tax losses  | 4,275           | 476,718         |
| Difference in R&D tax rate  | 43,819          | 56,797          |
| <b>Current tax charge for the period</b>  | <b>(53,568)</b> | <b>(98,325)</b> |

### Factors affecting future tax charges

The trading losses carried forward available for set off against future profits arising from the same trade amount to approximately £14,234,000.

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 6 TAXATION (continued)

### Deferred taxation

The deferred tax recognised and not recognised is as follows:

| <i>Group</i>                   | <b>Recognised</b><br>2005<br>£ | <b>Not</b><br><b>Recognised</b><br>2005<br>£ | Recognised<br>2004<br>£ | Not<br>Recognised<br>2004<br>£ |
|--------------------------------|--------------------------------|--|-------------------------|--------------------------------|
| Accelerated capital allowances | -                              | (84,243)                                     | -                       | (105,886)                      |
| Other timing differences       | -                              | (8,169)                                      | -                       | (4,985)                        |
| Tax losses                     | -                              | (4,274,275)                                  | -                       | (4,270,000)                    |
|                                | -                              | (4,366,687)                                  | -                       | (4,380,871)                    |

| <i>Company</i>                 | <b>Recognised</b><br>2005<br>£ | <b>Not</b><br><b>Recognised</b><br>2005<br>£ | Recognised<br>2004<br>£ | Not<br>Recognised<br>2004<br>£ |
|--------------------------------|--------------------------------|--|-------------------------|--------------------------------|
| Accelerated capital allowances | -                              | -  | -                       | -                              |
| Other timing differences       | -                              | (224)  | -                       | -                              |
| Tax losses                     | -                              | (4,016)                                      | -                       | -                              |
|                                | -                              | (4,240)                                      | -                       | -                              |

The deferred tax asset has not been provided for as it is uncertain whether sufficient profit will arise in the foreseeable future to enable the asset to reverse.

## 7 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company for the period ended 30 September 2005 was £6,136 (2004: £8,315,589 loss).

## 8 LOSS PER ORDINARY SHARE

The calculation of basic loss per ordinary share is based on losses of £340,871 (2004: £2,397,850 loss) and on 19,504,264 ordinary shares (2004: 19,500,000) being the weighted average number of shares in issue during the year.

The loss for the period and the weighted average number of ordinary shares for calculating the diluted loss per share for the year ended 30 September 2005 are identical to those used for the basic loss per share. This is because the outstanding share options and warrants would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard (FRS) No 14.

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 9 TANGIBLE FIXED ASSETS

|                             | Plant and<br>laboratory<br>equipment<br>£ | Motor<br>vehicles<br>£ | Office<br>equipment<br>£ | Short<br>leasehold<br>building<br>improvements<br>£ | Freehold<br>land &<br>buildings<br>£ | Assets<br>under<br>construction<br>£ | Total<br>£        |
|-----------------------------|---|------------------------|--------------------------|---|--------------------------------------|--------------------------------------|-------------------|
| <b>Cost</b>                 |   |                        |                          |   |                                      |                                      |                   |
| At 1 October 2004           | 5,346,982                                 | 8,036                  | 634,166                  | 1,845,427   | 3,306,241                            | -                                    | 11,140,852        |
| Additions                   | 686,844                                   | -                      | 53,403                   | -   | 41,835                               | 256,309                              | 1,038,391         |
| <b>At 30 September 2005</b> | <b>6,033,826</b>                          | <b>8,036</b>           | <b>687,569</b>           | <b>1,845,427</b>                                    | <b>3,348,076</b>                     | <b>256,309</b>                       | <b>12,179,243</b> |
| <b>Depreciation</b>         |   |                        |                          |   |                                      |                                      |                   |
| At 1 October 2004           | 1,643,667                                 | 887                    | 452,511                  | 1,845,427   | 30,336                               | -                                    | 3,972,828         |
| Charge for the year         | 450,557                                   | 2,679                  | 75,415                   | -   | 182,490                              | -                                    | 711,141           |
| <b>At 30 September 2005</b> | <b>2,094,224</b>                          | <b>3,566</b>           | <b>527,926</b>           | <b>1,845,427</b>                                    | <b>212,826</b>                       | <b>-</b>                             | <b>4,683,969</b>  |
| <b>Net book value</b>       |   |                        |                          |   |                                      |                                      |                   |
| <b>At 30 September 2005</b> | <b>3,939,602</b>                          | <b>4,470</b>           | <b>159,643</b>           | <b>-</b>  | <b>3,135,250</b>                     | <b>256,309</b>                       | <b>7,495,274</b>  |
| At 30 September 2004        | 3,703,315                                 | 7,149                  | 181,655                  | -   | 3,275,905                            | -                                    | 7,168,024         |

The net book value of tangible fixed assets includes £1,340,186 (2004: £1,508,243) in respect of assets held under finance leases. The assets under finance leases consist of plant, laboratory and office equipment and motor vehicles.

The cost of tangible assets includes £70,015 (2004: £68,312) of capitalised interest relating to the property mortgage loan taken out to purchase freehold land and buildings.

## 10 INVESTMENTS

| <i>Company</i>                             | £              |
|--|----------------|
| At 1 October 2004 and at 30 September 2005 | <b>600,000</b> |

The investments are in the Company's wholly owned subsidiary, Cobra Biologics Limited, a company incorporated in England & Wales and whose principal activity is the manufacture of protein, virus and DNA based pharmaceuticals.

## 11 STOCKS AND WORK IN PROGRESS

|                             | 2005<br>£      | Group<br>2004<br>£ | 2005<br>£ | Company<br>2004<br>£ |
|-----------------------------|----------------|--------------------|-----------|----------------------|
| Raw materials & consumables | 231,652        | 254,792            | -         | -                    |
| Work in progress            | -              | 20,712             | -         | -                    |
|                             | <b>231,652</b> | 275,504            | -         | -                    |

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 12 DEBTORS

|                                    | 2005<br>£        | Group<br>2004<br>£ | 2005<br>£        | Company<br>2004<br>£ |
|------------------------------------|------------------|--------------------|------------------|----------------------|
| Trade debtors                      | 1,432,069        | 1,122,667          | -                | -                    |
| Amounts owed by group undertakings | -                | -                  | 1,659,038        | -                    |
| Corporation tax                    | 49,290           | 64,910             | -                | -                    |
| Other debtors                      | 111,589          | 6,065              | 14,030           | 28,046               |
| Prepayments                        | 420,961          | 398,088            | 6,325            | 41,751               |
|                                    | <b>2,013,909</b> | 1,591,730          | <b>1,679,393</b> | 69,797               |

## 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | 2005<br>£        | Group<br>2004<br>£ | 2005<br>£      | Company<br>2004<br>£ |
|--|------------------|--------------------|----------------|----------------------|
| Current instalments on loans             | -                | 78,133             | -              | -                    |
| Obligations under finance leases         | 306,442          | 324,451            | -              | -                    |
| Trade creditors                          | 1,336,649        | 1,166,797          | 135,297        | 336,073              |
| Other taxation and social security costs | 89,480           | 109,254            | 34,606         | 38,305               |
| Deferred income                          | 356,010          | 227,014            | -              | -                    |
| Other creditors                          | 103,899          | 16,616             | 74,411         | -                    |
| Accruals                                 | 588,920          | 281,532            | 167,871        | 60,671               |
|  | <b>2,781,400</b> | 2,203,797          | <b>412,185</b> | 435,049              |

## 14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                  | 2005<br>£        | Group<br>2004<br>£ | 2005<br>£        | Company<br>2004<br>£ |
|----------------------------------|------------------|--------------------|------------------|----------------------|
| Loans                            | 1,280,000        | 989,506            | 1,280,000        | -                    |
| Obligations under finance leases | 903,033          | 849,371            | -                | -                    |
|                                  | <b>2,183,033</b> | 1,838,877          | <b>1,280,000</b> | -                    |

## 15 LOANS

|   | 2005<br>£        | Group<br>2004<br>£ | 2005<br>£        | Company<br>2004<br>£ |
|---|------------------|--------------------|------------------|----------------------|
| <b>Amounts falling due:</b>                     |                  |                    |                  |                      |
| In one year or less or on demand                | -                | 78,133             | -                | -                    |
| In more than one year but less than two years   | 41,070           | 83,283             | 41,070           | -                    |
| In more than two years but less than five years | 295,704          | 284,106            | 295,704          | -                    |
| In more than five years                         | 943,226          | 622,117            | 943,226          | -                    |
|   | <b>1,280,000</b> | 1,067,639          | <b>1,280,000</b> | -                    |

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 15 LOANS (continued)

The long-term loan is a new mortgage facility, which in May 2005 replaced the existing £1.1m 11 year mortgage facility with HSBC Bank Plc, secured against freehold land and buildings. The loan is repayable in monthly instalments, over a thirteen-year period commencing May 2007. The Group utilises the availability of an 'off-set' arrangement with the bank, which effectively means the Group currently pays a fixed rate of 1.5% over the National Westminster Bank Plc's base rate on the outstanding mortgage balance.

## 16 OBLIGATIONS UNDER FINANCE LEASES

|   | 2005<br>£        | Group<br>2004<br>£ | 2005<br>£ | Company<br>2004<br>£ |
|---|------------------|--------------------|-----------|----------------------|
| Payable within one year                           | 379,151          | 393,682            | -         | -                    |
| Payable between one and two years                 | 363,846          | 266,033            | -         | -                    |
| Payable between two and five years                | 626,957          | 688,606            | -         | -                    |
|   | <b>1,369,954</b> | 1,348,321          | -         | -                    |
| Less: finance charges allocated to future periods | <b>(160,479)</b> | (174,499)          | -         | -                    |
|   | <b>1,209,475</b> | 1,173,822          | -         | -                    |

Finance leases and hire purchase contracts are analysed as follows:

|                         | 2005<br>£        | Group<br>2004<br>£ | 2005<br>£ | Company<br>2004<br>£ |
|-------------------------|------------------|--------------------|-----------|----------------------|
| Current obligations     | 306,442          | 324,451            | -         | -                    |
| Non-current obligations | 903,033          | 849,371            | -         | -                    |
|                         | <b>1,209,475</b> | 1,173,822          | -         | -                    |

## 17 OTHER FINANCIAL COMMITMENTS

At 30 September 2005 the Group had annual commitments under non-cancellable operating leases as follows:

|                                     | 2005<br>£      | Land & buildings<br>2004<br>£ | 2005<br>£     | Other<br>2004<br>£ |
|-------------------------------------|----------------|-------------------------------|---------------|--------------------|
| Expiring within one year            | 47,000         | 61,109                        | 3,148         | -                  |
| Expiring between one and two years  | -              | -                             | 9,206         | 3,148              |
| Expiring between two and five years | -              | -                             | 17,964        | 9,586              |
| Expiring in greater than five years | 154,450        | 185,750                       | -             | 510                |
|                                     | <b>201,450</b> | 246,859                       | <b>30,318</b> | 13,244             |

The Company has no amounts due under non-cancellable operating leases.

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 18 CALLED UP SHARE CAPITAL

Group and Company No. £

### Authorised

At 1 October 2004 and at 30 September 2005 27,000,000 2,700,000

Group and Company

No. £

### Allotted, called up and fully paid

At 30 September 2004 19,500,000 1,950,000

Allotted in the year 7,273 727

**At 30 September 2005**

**19,507,273 1,950,727**

On 7 June 2002 the Company entered into a placing agreement with Collins Stewart Limited, as disclosed in the admission document for the Company's admission to the Alternative Investment Market, to issue to Collins Stewart Limited a warrant to subscribe for 390,000 ordinary shares at the placing price of 100.0 pence. The warrant is exercisable at any time up to 13 June 2007.

At 30 September 2005 the Company had 1,864,790 unissued ordinary shares (2004: 1,736,910) under the unapproved share option scheme, details of which are included below:

|                    | At<br>1 October<br>2004<br>No | Granted<br>in year<br>No | Exercised<br>in year<br>No | Cancelled<br>or expired<br>No | At 30<br>September<br>2005<br>No | Exercise<br>price<br>pence | Date from<br>which<br>exercisable | Expiry<br>date |
|--------------------|-------------------------------|--------------------------|----------------------------|-------------------------------|----------------------------------|----------------------------|-----------------------------------|----------------|
| Issue 13 June 2002 | 690,540                       | -                        | -                          | (7,650)                       | 682,890                          | 100.0                      | 14.06.05                          | 12.06.12       |
| Issue 7 July 2003  | 607,797                       | -                        | -                          | -                             | 607,797                          | 96.5                       | 08.07.06                          | 06.07.13       |
| Issue 7 Jan 2004   | 119,649                       | -                        | -                          | (24,028)                      | 95,621                           | 147.5                      | 08.01.07                          | 06.01.14       |
| Issue 12 July 2004 | 318,924                       | -                        | (7,273)                    | -                             | 311,651                          | 27.5                       | 13.07.07                          | 11.07.14       |
| Issue 21 Feb 2005  | -                             | 140,874                  | -                          | -                             | 140,874                          | 50.0                       | 22.02.08                          | 20.02.15       |
| Issue 4 Aug 2005   | -                             | 20,000                   | -                          | -                             | 20,000                           | 51.5                       | 05.08.08                          | 03.08.15       |
| Issue 10 Aug 2005  | -                             | 5,957                    | -                          | -                             | 5,957                            | 53.0                       | 11.08.08                          | 09.08.15       |
|                    | 1,736,910                     | 166,831                  | (7,273)                    | (31,678)                      | 1,864,790                        |                            |                                   |                |

All of the share options were granted at either the closing mid market price on the last dealing day before grant or the average closing mid market price on the last three dealing days before grant.

## 19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

### Group

|                             | Share<br>Capital<br>£ | Share<br>Premium<br>£ | Merger<br>reserve<br>£ | Profit &<br>loss account<br>£ | Total<br>£       |
|-----------------------------|-----------------------|-----------------------|------------------------|-------------------------------|------------------|
| As at 1 October 2004        | 1,950,000             | 9,632,493             | 29,728,872             | (33,160,208)                  | 8,151,157        |
| Share issue                 | 727                   | 1,273                 | -                      | -                             | 2,000            |
| Loss for the year           | -                     | -                     | -                      | (340,871)                     | (340,871)        |
| <b>At 30 September 2005</b> | <b>1,950,727</b>      | <b>9,633,766</b>      | <b>29,728,872</b>      | <b>(33,501,079)</b>           | <b>7,812,286</b> |

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES (continued)

| <i>Company</i>              | Share<br>Capital<br>£ | Share<br>Premium<br>£ | Profit &<br>loss account<br>£ | Total<br>£       |
|-----------------------------|-----------------------|-----------------------|-------------------------------|------------------|
| As at 1 October 2004        | 1,950,000             | 9,632,493             | (8,322,944)                   | 3,259,549        |
| Share issue                 | 727                   | 1,273                 | -                             | 2,000            |
| Loss for the year           | -                     | -                     | (6,136)                       | (6,136)          |
| <b>At 30 September 2005</b> | <b>1,950,727</b>      | <b>9,633,766</b>      | <b>(8,329,080)</b>            | <b>3,255,413</b> |

## 20 NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of operating loss to net cash flow from operating activities

|   | 2005<br>£      | 2004<br>£   |
|---|----------------|-------------|
| Operating loss                                      | (351,503)      | (2,384,065) |
| Depreciation of tangible fixed assets               | 711,141        | 391,946     |
| Decrease/(increase) in stock                        | 43,852         | (68,585)    |
| (Increase)/decrease in debtors                      | (417,548)      | 347,034     |
| Increase/(decrease) in creditors                    | 585,720        | (300,820)   |
| Net cash inflow/(outflow) from operating activities | <b>571,662</b> | (2,014,490) |

### (b) Analysis of net funds

|                          | 2004<br>£   | Cash Flow<br>£ | Other non-cash<br>movements<br>£ | 2005<br>£          |
|--------------------------|-------------|----------------|----------------------------------|--------------------|
| Cash at bank and in hand | 145,835     | 229,388        | -                                | <b>375,223</b>     |
| Short-term deposits*     | 3,012,738   | (352,077)      | -                                | <b>2,660,661</b>   |
|                          | 3,158,573   | (122,689)      | -                                | <b>3,035,884</b>   |
| Bank loan                | (1,067,639) | (212,361)      | -                                | <b>(1,280,000)</b> |
| Finance leases           | (1,173,822) | 148,504        | (184,157)                        | <b>(1,209,475)</b> |
| Net funds                | 917,112     | (186,546)      | (184,157)                        | <b>546,409</b>     |

The majority of finance leases are arranged in respect of sale and leaseback transactions. Accordingly new finance leases are shown as a separate component of cash flow in the cash flow statement.

\* Short-term deposits are included within the cash at bank and in hand on the balance sheet.

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 21 FINANCIAL INSTRUMENTS

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found on page 7. It is not the Group's policy to enter into financial derivatives for speculative or trading purposes. The financial instruments employed by the Group other than short-term debtors and creditors are used to fund its operations and comprise cash, short-term deposits, long-term loans and finance leases.

The Group's policy during the year ended 30 September 2005 was to place the majority of its cash on short-term deposit with its bankers, to finance the purchase of freehold land and buildings through mortgage finance and to finance the purchase of other fixed assets through sale and leaseback, where possible, for cash flow purposes.

The Group's exposure to interest rate risk is limited to finance leases which are typically fixed rate, and its mortgage facility and cash deposits which are typically floating rate. As permitted by Financial Reporting Standard (FRS) No.13 the disclosures below with the exception of currency exposure, exclude short-term debtors and creditors.

### *Interest rate risk profile of financial assets*

The interest rate profile of financial assets of the Group as at 30 September 2005 is as follows:

|             | Financial assets on which<br>no interest is earned<br>£ | Floating rate<br>financial assets<br>£ | Total<br>£       |
|-------------|---|--|------------------|
| <b>2005</b> |   |  |                  |
| Sterling    | 374,662   | 2,658,913                              | 3,033,575        |
| US Dollar   | 561   | 1,748                                  | 2,309            |
|             | <b>375,223</b>  | <b>2,660,661</b>                       | <b>3,035,884</b> |
| <b>2004</b> |   |  |                  |
| Sterling    | 75,643  | 3,012,738                              | 3,088,381        |
| US Dollar   | 70,192  | -                                      | 70,192           |
|             | 145,835   | 3,012,738                              | 3,158,573        |

Floating rate financial assets comprise cash deposits on money market deposit at call and interest is received either at the Bank of Scotland's base rate or at the National Westminster Bank Plc's money market rate.

### *Interest rate risk profile of financial liabilities*

The interest rate profile of the financial liabilities of the Group as at 30 September 2005 is as follows:

|                 | Fixed rate<br>financial<br>liabilities<br>£ | Floating rate<br>financial<br>liabilities<br>£ | Total<br>£       |
|-----------------|---|--|------------------|
| <b>2005</b>     |   |  |                  |
| <b>Sterling</b> | <b>1,209,475</b>                            | <b>1,280,000</b>                               | <b>2,489,475</b> |
| <b>2004</b>     |   |  |                  |
| Sterling        | 1,173,822                                   | 1,067,639                                      | 2,241,461        |

The weighted average interest rate on fixed rate financial liabilities at 30 September 2005 was 7.0% (2004: 7.0%).

The weighted average period to maturity of fixed rate financial liabilities at 30 September 2005 was 53 months (2004: 51 months).

The fixed rate financial liabilities were confined to obligations under finance leases. Floating rate financial instruments comprise a mortgage facility with National Westminster Bank Plc with an interest rate of 1.50% over the bank's base rate.

# Notes to the Financial Statements

for the Year Ended 30 September 2005

## 21 FINANCIAL INSTRUMENTS (continued)

### *Maturity of financial liabilities*

The maturity profile of the Group's financial liabilities as at 30 September 2005 was as follows:

|                                    | <b>2005</b>      | 2004      |
|------------------------------------|------------------|-----------|
|                                    | <b>£</b>         | £         |
| Payable within one year            | <b>306,442</b>   | 402,584   |
| Payable between one and two years  | <b>353,560</b>   | 299,759   |
| Payable between two and five years | <b>886,247</b>   | 917,001   |
| Payable in more than five years    | <b>943,226</b>   | 622,117   |
|                                    | <b>2,489,475</b> | 2,241,461 |

### *Currency exposures*

The table below shows the Group's currency exposures that give rise to net currency gains and losses recognised in the profit and loss account. Such exposures comprise monetary assets and liabilities of the Group that are not denominated in the operating currency of the operating unit involved.

| Functional currency of<br>Group operations | Net currency monetary assets |               |                |
|--|------------------------------|---------------|----------------|
|  | US Dollar<br>£               | Euro<br>£     | Total<br>£     |
| <b>2005</b>                                |                              |               |                |
| Sterling                                   | <b>799,524</b>               | <b>52,122</b> | <b>851,646</b> |
| <b>2004</b>                                |                              |               |                |
| Sterling                                   | 352,035                      | 8,928         | 360,963        |

### *Borrowing facility*

At the year end the Group did not have a borrowing facility.

### *Fair Values of financial assets and financial liabilities*

The fair value, based upon the market value or discounted cashflows of the financial instruments detailed above was not materially different from their book values.

## 22 PENSION COMMITMENTS

The Group operates a defined contribution pension scheme established with Scottish Widows Plc. The assets of the scheme are held separately from those of the Group and are independently administered. The contributions payable by the Group under the scheme amounted to £137,000 (2004: £120,280). Contributions totalling £19,179 (2004: £16,616) were payable at the year end.

## 23 RELATED PARTY TRANSACTIONS

The Group made sales of £13,950 (2004: £Nil) to Evolutec Group Plc. David Bloxham was a director of both Evolutec Group Plc and the Company throughout the year. At the balance sheet date the amount due from Evolutec Group Plc was £Nil (2004: £Nil).

# Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Cobra Biomanufacturing Plc will be held at the offices of Buchanan Communications Limited, 45 Moorfields, London, EC2Y 9AE on 6 April 2006 at 11:00am.

To transact the following business:

## Ordinary Business

1. To receive the accounts for the year ended 30 September 2005 and the report of the directors and the auditors thereon;
2. To re-appoint as a director, Peter Coleman,
3. To re-appoint as a director, David Bloxham,
4. To re-appoint Ernst & Young LLP as auditors of the Group and to authorise the directors to determine their remuneration.

## Special Business

To consider and, if thought fit, (and subject in the case of resolution 6 to the passing of resolution 5) pass the following resolutions which in the case of resolution 5 and 7 will be proposed as an ordinary resolution and in the case of resolution 6 will be proposed as a special resolution:

5. That the directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") (in substitution for all existing authorities under the said Section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £749,272 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, 2 July 2007) and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry.
6. That the directors of the Company be and are hereby empowered pursuant to Section 95(1) of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - a. the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that, by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
  - b. the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £97,500;and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or if earlier on 2 July 2007), save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.
7. That the Cobra Biomanufacturing Plc 2006 Long Term Incentive Plan the principal terms of which are summarised in Appendix 1 of the circular to shareholders dated 31 January 2006 and the Cobra Manufacturing Plc 2006 Employee Benefit Trust the principal terms of which are summarised in Appendix 2 of the circular to shareholders dated 31 January 2006 and copies of which have been produced to the meeting and for the purposes of identification, signed by the Chairman, be and hereby are approved and the directors be and are hereby authorised to do all such acts or things as may be necessary or desirable to implement the same.

By order of the Board



Matthew Baker  
Company Secretary

10 January 2006

Registered in England No. 4442927

Registered Office  
Stephenson Building  
The Science Park  
Keele, Staffordshire  
ST5 5SP



# Notice of Annual General Meeting

## Notes:

1. Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
2. The register of directors' interests in the Company's shares, copies of the directors' service contracts, the draft rules of the Cobra Biomanufacturing Plc 2006 Long Term Incentive Plan and the trust deed for the Cobra Biomanufacturing Plc 2006 Long Term Incentive Plan will be available for inspection at the registered office of the Company and at the offices of Eversheds LLP, Senator House, 85 Queen Victoria Street, London, EC4V 4JL during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting from fifteen minutes before the meeting until it closes.
3. An explanation of the special business is given in the Report of the Directors' on pages 12.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered in the Company's register of members on 5:00pm on 4 April 2006 will be entitled to attend or vote at the meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time.
5. In order to be valid any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office company of such power of attorney, must reach the Company's registrars Capita Registrars not less than 48 hours before the time of the meeting or of any adjournment of the meeting.

# Shareholder Information

## Financial Information

Interim results for the six months to 31 March in **June**.  
Final results for the year to 30 September in **January**.  
Quarterly trading updates **April** and **October**.

## Annual General Meeting

The Annual General Meeting will be held on 6 April 2005 at 11:00 am at the offices of Buchanan Communications Limited, 45 Moorfields, London, EC2Y 9AE. The notice of the meeting is set out on pages 37 and 38.

## Share Price Information

The Company's share price is available from the website of Cobra Biomanufacturing Plc under [www.cobrabio.com](http://www.cobrabio.com).

## Company Web Site

The Company's website provides information on products and manufacturing activities. It also includes the latest financial information and press releases and any other information that is relevant to the Company.

## Shareholder Enquiries

Any queries regarding individual shareholdings, transfers etc, should be directed to Capita Registrars.

Shareholders wishing to consolidate two or more individual certificates may do so by writing to Capita Registrars at the address given overleaf, enclosing the certificates to be consolidated.

Where shareholders are receiving duplicate sets of accounts or mailing, as a result of inconsistencies in the name or address details, they should advise the registrars so that this can be corrected.

## Investor Relations Services

The Company operates an Investor Relations Mailing List and Email Alert Service for investors and other interested parties.

Copies of announcements made during the year as well as the annual and interim reports are sent to current registered shareholders. However, if you would like to receive this information regardless of your current shareholding, you can register for either one of the above services by writing to Investor Relations, Cobra Biomanufacturing Plc, Stephenson Building, The Science Park, Keele, Staffordshire, ST5 5SP.

Alternatively, you can register to receive updates electronically via the website under [www.cobrabio.com/investors/investor\\_email\\_alert.htm](http://www.cobrabio.com/investors/investor_email_alert.htm).

## Data Protection Policy

We will comply with the requirements of all Data Protection legislation in force in England and Wales from time to time. In particular, you may request a copy of any personal data held by us about you upon written request. Please note that we reserve the right to charge the current statutory fee for providing such information.

We do not use or distribute the information provided by you to our Investor Relations Mailing List or Email Alert Service, for any purpose other than the provision to you of up to date company information. We do not sell databases or personal information to third parties.

You can request to be removed from the mailing lists at any time, by writing to the registered office or via email.



## Directors, Registered Office and Advisors

### Directors

|                               |                                      |
|-------------------------------|--------------------------------------|
| Geoffrey Peter Fothergill     | (Executive Chairman)                 |
| David Robert Thatcher         | (Chief Executive Officer)            |
| Peter Alistair Coleman        | (Finance Director)                   |
| David Philip Bloxham          | (Independent Non-executive Director) |
| Michael Richard Brock Gatenby | (Independent Non-executive Director) |
| Nigel Kenneth Harry Slater    | (Independent Non-executive Director) |

### Company Secretary

Edward Matthew Scott Baker  
Eversheds LLP  
Eversheds House  
70 Great Bridgewater Street  
Manchester M1 5ES

### Auditors

Ernst & Young LLP  
100 Barbirolli Square  
Manchester M2 3EY

### Bankers

National Westminster Bank Plc  
34 High Street  
Nantwich  
Cheshire CW5 5AZ  
[www.natwest.com/corporate](http://www.natwest.com/corporate)

Bank of Scotland  
600 Gorgie Road  
Edinburgh  
EH11 3XP

### Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
+44 (0)870 162 3100  
[www.capitaregistrars.com](http://www.capitaregistrars.com)

### Registered Office

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The Science Park  
Keele  
Staffordshire ST5 5SP  
+44 (0)1782 714 181

**Registered in England No: 4442927**

# Glossary of Terms

**Biopharmaceuticals** – medicines where the active principal cannot be chemically synthesised and comprise either recombinant DNA, Protein or Virus.

**Cell line** – live cells as medicinal products.

**Cellular products/manufacture** – medicines (manufacture of medicines) where the active ingredients are live cells.

**Cobra** – Cobra Biomanufacturing Plc and its wholly owned subsidiary Cobra Biologics Limited (“The Group”).

**DNA** – Deoxyribonucleic Acid, a molecule that encodes genetic information.

**cGMP** – Good Manufacturing Practice, a code of practice that ensures medicinal products are produced consistently and to the appropriate quality standards. In the UK, manufacturers of medicinal products require accreditation with the Medicines and Healthcare products Regulatory Agency (“MHRA”).

**Mammalian protein products** – proteins, produced and purified from a mammalian cell culture process.

**Microbial** – consisting of, or utilising micro-organisms.

**Microbial protein products** – proteins, produced and purified from bacteria that have been grown in a microbial fermentation process.

**ORT®** – Operator Repressor Titration, a host vector system that avoids the use of antibiotics and antibiotic resistant genes during biological manufacture.

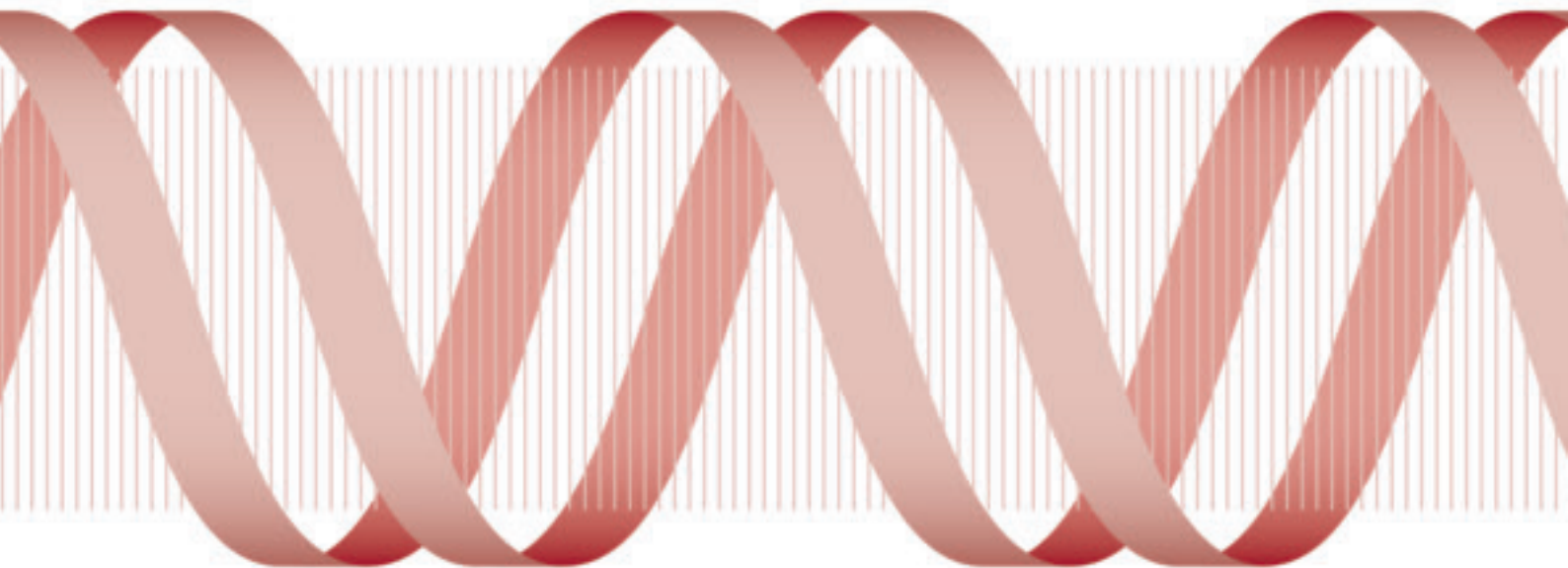
**ORT-VAC** – derived using ORT® technology, strains of attenuated bacteria bearing high copy number plasmids for use as live vaccines.

**Plasmid DNA** – vaccines/medicines where the active ingredient is made of DNA produced in bacteria and which encodes a therapeutic gene. Plasmid DNA being replicating circular DNA encoding genes.

**Protein products/manufacture** – medicines (the manufacture of medicines) where the active ingredient is protein.

**Qualified Person or QP** – The quality assurance professional for medicines defined by British Law, based upon European Union directives. For clinical trial materials the QP ensures that every batch released to the clinic complies with its specification and has been made according to current cGMP. Medicines produced outside the EU can be imported and, if assessed as suitable by the QP, be used for an approved EU clinical trial.

**Virus products/manufacture** – medicines (the manufacture of medicines) where the active ingredient is a recombinant virus engineered to deliver DNA encoding a therapeutic gene.



## Cobra Biomanufacturing Plc

**Registered Office**  
Stephenson Building  
The Science Park  
Keele  
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ST5 5SP  
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