

Cobra Biomanufacturing Plc

Annual Report and Accounts 2007
for the year ended 30 September

www.cobrabio.com

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Cobra Overview

At Cobra we work in partnership with our customers adding significant value to their business through investing our know-how, experience and assets in accelerating their product development programs. Our goal is to become a major force in the manufacture of biopharmaceuticals for the international pharmaceutical and biotech industry; an independent full service, manufacturing partner from the clinic through to commercial supply in protein, virus, plasmid DNA and cell products.



Proteins are essential constituents of living organisms. Proteins such as enzymes, structural constituents of cells and components of the immune system are used as medicines and such products are under development by our customers to combat a number of critical and growing diseases such as cancer and infectious diseases including malaria and meningitis.



Viruses have a natural mechanism for entering living cells. By taking advantage of this property, attenuated and genetically modified viruses may be exploited as medicines. Our customers are evolving revolutionary products capable of combating devastating diseases such as genetic disorders like Parkinson's and cancer for which there is an unmet clinical need.



DNA (Deoxyribonucleic acid) the physical carrier of genetic information in all living cells, is being used in two main medical applications, gene therapy and vaccines. The focus for gene therapy has been in a number of genetic disorders and diseases such as, cancer and cardiovascular disease. Potentially, DNA vaccines could provide protection against the big killer diseases including cancer, but also the infectious diseases such as HIV, herpes and hepatitis.



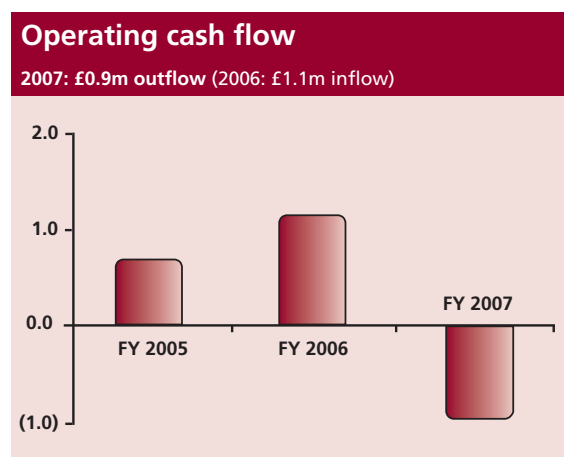
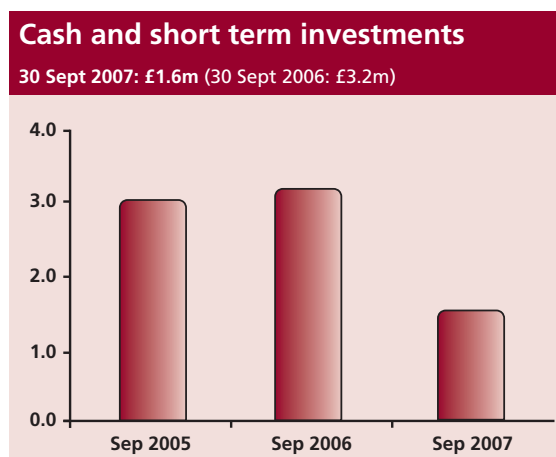
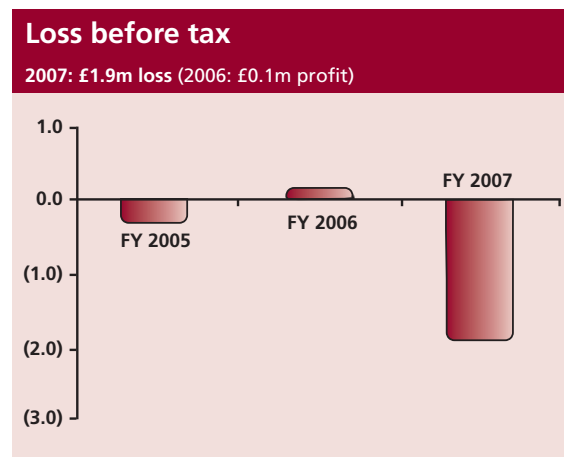
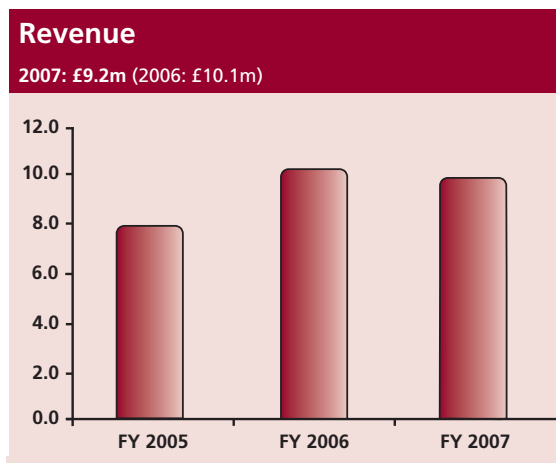
Cells or micro organisms have evolved ways of entering the human body and cause infectious diseases such as food poisoning. Genetic engineering can be used to create attenuated strains which do not cause disease and yet retain the ability to enter the human body. Such strains, and in particular bacteria which can be administered orally, are used as carriers for the delivery of novel vaccines or therapeutic products. Cobra and its customers are developing novel products based on this approach.

Operational Highlights: 18 January 2008

- Contracted forward order book up 57% to a record £9.4m (Jan 2007: £6.0m).
- Including \$9.5m two year virus contract providing greater revenue stability.
- Simon Saxby appointed Chief Operating Officer, bringing international commercial funding and technical expertise.
- David Thatcher steps down as Chief Executive, whilst continuing to provide guidance on scientific affairs and business development as a Non Executive Director and consultant.

Financial Summary: 2007

- In line with current market expectations.



Chairman's Statement



Financial Summary 2007

The financial results for 2007 were in line with current market expectations, but were still disappointing after six consecutive half year reporting periods of consistent growth, which moved Cobra back into profit in 2006. Revenue fell to £9.2m (2006: £10.1m), resulting in a pre tax loss of £1.9m (2006: £0.1m profit), an operating cash outflow of £0.9m (2006: £1.1m inflow) and a closing cash at bank and short term investments of £1.6m (2006: £3.2m).

Revenue and Contracted Order Book

Financial year 2007 was unusual for Cobra, with revenue in the second half of the year falling away after a first half which was profitable and in line with market expectations. Our aim has been to reduce the inherent 'lumpiness' of our business by competing for more longer term contracts, including those for commercial supply, particularly for the manufacture of virus based products. However this is taking longer than anticipated and was exacerbated by overruns on a number of short term contracts and the unanticipated loss at short notice of the GSK/IAVI contract in May 2007. This left a revenue gap which we were unable to close. Management actions to mitigate these events were implemented involving operational efficiencies and cost base reductions. However there was simply insufficient time or revenue to cover the remaining costs which are necessary to stay competitive.

Notwithstanding, the overall shape of the business is improving. Revenue in 2007 from our North American customers was £6.0m (2006: £8.7m) 65% of the total (2006: 85%). Revenue from our European based customers (excluding the UK) increased fourfold to £2.8m (2006: £0.7m) 31% of the total (2006: 7%) as 2007 turned out to be the best ever year for funding for biotech in Europe*, beating the \$5.9bn** raised in 2006 (2005: \$4.0bn).

Virus based revenue was £2.8m (2006: £1.9m) 30% of the total (2006: 19%), which reflects Cobra's leading position in this highly specialised market. Protein based revenue remained healthy at £4.3m (2006: £6.7m) 47% of the total (2006: 66%). These are encouraging signals as demand for our services continues to expand.

Global Biotech Funding

2007: \$30.7bn (2006: \$29.8bn)

The global biotech industry raised a total of \$30.7bn* in 2007 (2006: \$29.8bn), the highest figure since 2000, which followed on from the \$27.8bn** spent on the research and development of biotech products in 2006 (2005: \$21.0bn). The key to Cobra's future is simply to win more of this business, more quickly in a growing biomanufacturing service sector expected to be worth \$2.8bn*** in 2008.

Since the end of the financial year Cobra has made considerable progress towards achieving this aim. The contracted forward order book is now at a record £9.4m, £6.0m of which is scheduled for the current financial year.

Contracted Forward Order Book

Up 57% to £9.4m (Jan 2007: £6.0m)

Structure

I was pleased to announce in January the appointment of Simon Saxby as Chief Operating Officer and main board director. At the same time, David Thatcher stepped down as Chief Executive, whilst continuing to provide guidance on scientific affairs and business development as a Non Executive Director.

Simon Saxby has 25 years experience in the biotechnology industry, latterly as Chief Executive of Alpha Biologics Sdn Bhd, a Malaysian contract manufacturing organisation (CMO) with an office and laboratories in Cambridge UK. Simon was a founder director of Murex Diagnostics which was sold to Abbott Laboratories for \$350m, a co-founder and operations director of Quantum Biosystems Ltd, he led the development of a CMO business for Unisyn Technologies in Massachusetts, USA for 4 years and has held appointments with KS Biomedix Plc, Xenova Group Plc and Synexis Ltd. Simon's well rounded international experience in business development and manufacturing is ideally suited to the challenges of the service business.

Simon Saxby appointed as Chief Operating Officer

Bringing international commercial funding and technical expertise

*BioCentury 07/01/2008

**Ernst and Young's Beyond Borders Global Biotechnology Report 2007

***Hi Tech Business Decisions 2007

Chairman's Statement

David Thatcher started Cobra's manufacturing activities 15 years ago and became Chief Executive in 2002, when the Group listed on AIM as a specialist provider of biomanufacturing services. His 5 years in the post have seen a dramatic change in the operating environment, with Cobra's original DNA business virtually disappearing in 2004. He re-orientated the business to focus on virus and protein manufacturing, coupled with a strong business development capability in North America. At the same time he has applied his scientific expertise to the development of novel technologies which can be applied to the Group's manufacturing processes and from which we now have potentially valuable product development and licensing opportunities. David will continue to support this initiative as a consultant (see Oral Vaccines section).

Oral Vaccines

During the year we have advanced our potentially exciting oral vaccine technology with a series of collaborations to prove the principle in both human and animal health applications. At the same time our successful application for a DTI grant, to develop formulations and undertake preclinical testing for human flu, will allow the work on this project to commence in early 2008. The Group has now formed a separate subsidiary called Cobra Oral Technology Limited (COT) to focus our efforts on this opportunity.

Outlook

I would like to thank all Cobra employees for their dedication during this difficult year and their efforts have now begun to bear fruit as Cobra starts the new year with a record £9.4m order book (Jan 2007: £6.0m). Worldwide investment in biotechnology remains buoyant, although this may be tempered somewhat by the emerging macroeconomic climate. Cobra's challenge is to win more long term contracts which provide for a more consistent year on year performance that in turn should see a return to profitability and a sound basis for further expansion of its contract manufacturing services to the global marketplace. The \$9.5m virus contract which will run for the next two financial years is a big step towards achieving this aim.



Peter Fothergill
Chairman

18 January 2008



Financial & Business Review



Financial Review

Basis of Preparation

These are the first results of the Group to be stated under International Financial Reporting Standards (IFRS) and the comparatives have been restated on this basis. The principal impact of IFRS and the effect of these adjustments on the Group's 2006 income statement and profit for the year, and the Group's and Company's balance sheets and equity at 1 October 2005 and 30 September 2006 are set out in note 29 on pages 38 to 43.

Income Statement

Revenue: for the year fell by 9% to £9.2m (2006: £10.1m), due to cancellation of an existing contract and longer lead times for new contracts in the second half of the year resulting in the Group being unable to maximise the coverage of its direct manufacturing costs, a high proportion of which are fixed and essential to maintain our cGMP and quality standards. These factors in addition to cost overruns on three service contracts for our European customers reduced gross margin to 42% (2006: 53%).

Research and development: expenditure increased in the year by 51% to £0.6m (2006: £0.4m), to continue the process science work required to maintain the Group's competitive position in the existing manufacturing service business and to continue the development of our oral vaccine platform technology, ORT-VAC.

Other operating expenses: sales, marketing and distribution costs at £1.1m (2006: £1.1m) and administrative expenses including share based payments at £3.9m (2006: £3.9m) remained flat as we controlled our costs in the second half of the year.

Reorganisation costs: the Group incurred £0.1m of reorganisation costs in the latter part of the year as we reduced our headcount to reduce the cost base and enhance our competitive position.

(Loss)/profit before/after tax: as a result of the above, the Group incurred a loss before tax of £1.9m (2006: £0.1m profit) and with a R&D tax credit claim of £0.1m in the year (2006: £0.1m) a loss after tax of £1.8m (2006: £0.1m profit).

Balance Sheet

Capital investment: Cobra invested a further £1.0m in plant and equipment in the year (2006: £1.6m), lower than the previous year as we controlled expenditure in the second half. However this investment is essential as we maintain our facilities to cGMP standards.

Deferred income: ended the year at £0.5m (2006: £1.2m), reflecting the fall off in the business in the second half. There was a corresponding fall in inventories to £0.4m (2006: £0.6m).

Cash and short term investments: due to the operating losses incurred and capital investment required, offset by net financing of £0.3m (2006: £0.6m inflow). Cash and short term investments closed at £1.6m (2006: £3.2m).

Non current liabilities: remained at £2.8m (2006: £2.8m). The composition of non current liabilities is split between a bank loan with National Westminster Bank Plc, secured against freehold buildings of £1.9m (2006: £1.8m) repayable over a 13 year period commencing November 2007 and finance lease obligations of £0.9m (2006: £1.0m) repayable between 2 and 5 years.

Cash Flow

Operating cash outflow for the period was £0.9m (2006: £1.1m inflow). We also spent £1.1m on plant and equipment in the year (2006: £1.5m). This expenditure was partially financed during the year, through a mixture of additional mortgage loans of net £0.2m (2006: £0.6m net) and finance leases of £0.6m (2006: £0.5m), offset by existing finance lease repayments of £0.5m (2006: £0.4m). The result is cash and short term investments of £1.6m (30 September 2006: £3.2m).

Taxation

At 30 September 2007, the Group had trading tax losses carried forward of £16.0m ensuring that the Group should not be obliged to pay UK corporation tax for the foreseeable future on any trading profits. The Group is also entitled to claim research and development tax relief, available under Schedule 20 of the Finance Act 2000, in respect of financial year 2007, which resulted in a credit to the Group Income Statement of £0.1m (2006: £0.1m).

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 to 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.

Financial & Business Review

Interest Rate, Liquidity, Credit and Foreign Currency Risk

Interest rate risk: at 30 September 2007 the Group had a mortgage with the National Westminster Bank Plc of £2.0m (2006: £1.8m). The Group pays a fixed rate of 1.65% over the National Westminster Bank Plc's sterling 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.

Credit risk: the Group's credit risk relates to trade receivables, short term investments and cash and cash equivalents. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group has no significant concentration of credit risk related to receivables, as the exposure is spread over a number of customers.

Foreign currency risk: the Group generated overseas revenue during the year, primarily from North America and Continental Europe. The position regarding currency risk is regularly reviewed and currency hedging activity is initiated where appropriate. In the year the Group realised an exchange rate gain of £38k (2006: £127k gain), through the provision of forward currency contracts against the Group's contracted US dollar and Euro order book. Currency risk is also partially offset by overseas expenditure.

Business Review

Operations: Cobra Biomanufacturing Plc is primarily an international provider of manufacturing services for the global biopharmaceutical industry. The Group operates two UK based manufacturing facilities, one located in Keele, Staffordshire and the other in Cowley, Oxfordshire, both of which trade through the Company's wholly owned trading subsidiary Cobra Biologics Limited. The Company's other subsidiaries are Cobra Oral Technology Limited whose principal activity will be to develop the Oral Vaccine platform technology ORT-VAC, Cobra Biomanufacturing EBT Limited whose principal activity is to act as trustee to the Group's Long Term Incentive Plan (LTIP) and Cobra Biomanufacturing LLC which is currently dormant.

Markets: Cobra's primary market for its services is North America, a region that attracted in 2006 86% or \$23.8bn** of the \$27.8bn** global research and development expenditure on biopharmaceuticals. The global outsourced biopharmaceutical market is currently worth \$2.8bn***.

The vast majority of the biopharmaceutical market is for protein based manufacturing services, but there is also an available growing specialised niche market for virus based manufacturing services and DNA also maintains a steady demand. Cobra can uniquely provide manufacturing services for all of these segments in addition to cell based therapies.

Sales and marketing: North America is still the main source of revenue with 65% of the total in 2007 (2006: 85%) achieved through a US based sales force of 3 sales executives, covering the major biotechnology hubs of the US. In addition the Group has a sales executive who covers Europe including the UK, a combined territory that generated 33% of revenue in the year (2006: 13%). The sales team focus on mid-size biotechnology product companies with a requirement for process development expertise and specialised manufacturing services.

Research and development: to maintain the Group's scientific competitive edge, Cobra has a molecular biology team, which employs 6 people (2006: 5), through which the Group generates revenue from customer's research contracts, develops its own intellectual property, through innovative manufacturing processes, in addition to progressing the Group's oral vaccine platform technology, ORT-VAC.

Contract values: these are variable and range from £0.1m to £4.5m, dependent upon the size and complexity of the programme. It usually follows that the further down the clinical approval process our customer is the higher the value of the potential contract. The Group has been relatively more successful over the last 2 years in winning bigger contracts that are longer term in nature.

Commercial Risks

The key commercial risks facing the Group are as follows:

Recruitment, retention and training of employees: Cobra operates in a knowledge based industry and recognises the importance of the recruitment and retention of its highly skilled workforce (see key performance indicators overleaf).



Financial & Business Review

Customer product failure: the biopharmaceutical product failure rate is similar to the failure rate of conventional pharmaceuticals, in that 90% of phase I drugs fail to reach the commercial market. Cobra attempts to mitigate this risk, by ensuring it has a wide customer base, working with 33 customers in 2007 (2006: 35), operating in all the biopharmaceutical market segments and being thorough in its customer due diligence.

Regulatory compliance: Cobra is under constant pressure, from the UK pharmaceutical regulator, the Medical and Healthcare Products Regulatory Agency (MHRA), as with all companies in the sector, through the EU Clinical Trials Directive to ensure that both of our manufacturing facilities provide services that are consistent and achieve the appropriate quality standards, termed current Good Manufacturing Practice (cGMP). Non regulatory compliance with the MHRA may result in production delays or even closure of our facilities until corrective action is in place. This risk is managed by employing and maintaining an experienced quality team of 30 employees across both facilities (2006: 27) two of which are Qualified Persons (QP).

Customer funding: the global biopharmaceutical industry raised \$30.7bn* worth of funding in 2007 (2006: \$29.8bn). The majority of Cobra's customers are mid sized biopharmaceutical companies, who are reliant upon funding from the capital markets for their product development. Cobra has a market intelligence capability which constantly monitors global pipeline funding and which companies are receiving that funding. The Group always carries out financial due diligence on all its customers prior to contract signature.

Capital investment requirements: both the Keele and Oxford facilities are maintained to both full cGMP and MHRA compliance, and it is essential we continue to maintain our facilities to these standards. Capital investment is therefore key to ongoing activities.

Exchange rates fluctuations: revenue is currently primarily derived from either North America in US dollars or Continental Europe in Euros and therefore any significant shift in the USD/£ or Eu/£ exchange rate may hinder/help our competitive position. This risk is partially alleviated by our specialist skills being relatively price insensitive, currency hedging activities when appropriate, and overseas expenditure.

Key Performance Indicators

Cobra operates in a complex industry, with a requirement for specialist knowledge. However the financial business model is one of a conventional contract manufacturing business, whose primary objective each financial year is to fill capacity slots and thereby cover the fixed overhead cost.

The Directors believe that the table below sets out the key performance indicators of the Group and its performance against them:

	FY 2007	FY 2006
Revenue	£9.2m	£10.1m
Deferred income at 30 September	£0.5m	£1.2m
Gross margin	42%	53%
Operating cash (outflow)/inflow	(£0.9m)	£1.1m
Cash at bank at 30 September	£1.6m	£3.2m
Employee recruitment: average headcount	136	118
Revenue per average headcount	£68k	£86k
	Jan 2008	Jan 2007
Contracted forward order book	£9.4m	£6.0m



Peter Coleman
Finance Director

18 January 2008

*BioCentury 07/01/2008

**Ernst and Young's Beyond Borders Global Biotechnology Report 2007

***Hi Tech Business Decisions 2007

Board of Directors



Peter Fothergill



Simon Saxby



Peter Coleman



Michael Gatenby



David Oxlade



Nigel Slater



David Thatcher

Peter Fothergill BA FCIM (Age 62), Executive Chairman

Peter has 39 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 a 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 private 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.

Simon Saxby BSc(Hons) (Age 49), Chief Operating Officer*

Simon Saxby has 25 years experience in the biotechnology industry, latterly as Chief Executive of Alpha Biologics Sdn Bhd, a Malaysian contract manufacturing organisation with an office and laboratories in Cambridge UK. Simon was a founder of Murex Diagnostics, which was sold to Abbott Laboratories for \$350m, a co-founder and operations director of Quantum Biosystems Ltd, he led the development of a CMO business for Unisyn Technologies in Massachusetts, USA for 4 years and has held appointments with KS Biomedix Plc, Xenova Group Plc and Synexis Ltd.

Peter Coleman FCMA MBA (Age 41), Finance Director and Company Secretary

Peter has 13 years experience in the pharmaceutical/biotechnology industry and has been Cobra's Finance Director since its flotation on AIM in June 2002. Prior to Cobra he was employed in a variety of senior financial and corporate development roles. 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.

Michael Gatenby FCA (Age 63), 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 and Chairman of Alliance Pharma Plc and he is also a Trustee/Director of the Stroke Association.

David Oxlade BSc (Age 58), Independent Non Executive Director

After graduating with an Honours Degree in Biochemistry, David has worked in the biotechnology, diagnostic and therapeutic health care industries for over 30 years. He has held senior management positions in Asia and the USA as well as in Europe. Previously Chief Executive of Xenova Group Plc and President of Syva Co in California, David is currently Chairman of BioAnaLab Ltd and a member of EuropaBio's Emerging Enterprise Council. Appointed an Honorary Fellow of Brunel University in 2003, David chaired the European Working Group of the (DTI) Bioscience and Innovation Growth Team (2003) and was appointed to the BioScience Leadership Council in 2004.

Professor Nigel Slater FEng (Age 54), 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. He is a member of the MHRA Biologicals and Vaccine Expert Advisory Group and his research portfolio has included collaborations with a number of leading pharmaceutical companies. He is the author of a number of scientific papers and patents. Additionally, he has relevant biomanufacturing development and engineering experience with Wellcome Plc, Unilever Nederland BV and Cobra Therapeutics Limited.

David Thatcher PhD (Age 60), Non Executive Director*

David trained as a protein chemist and 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 was responsible for managing the evolution of the Group's manufacturing technology and assets and developing the contract manufacturing business.

In January 2008, David stepped down as Chief Executive of Cobra to become a consultant and Non Executive Director.



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 2007.

Principal Activities

Cobra Biomanufacturing Plc is a holding company, with wholly owned subsidiaries of Cobra Biologics Limited, Cobra Oral Technology Limited, Cobra Biomanufacturing EBT Limited and Cobra Biomanufacturing LLC. The principal activity of the Group is the provision of manufacturing services for protein, virus and DNA based pharmaceuticals.

Business Review

The Group is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information that fulfils this requirement can be found in the Financial and Business Review on pages 5 to 7. The Business Review also includes a section on the Key Performance Indicators of the Group.

Results and Dividend

The Group loss for the period after providing for taxation was £1.8m (2006: £0.1m profit) and an equivalent amount has been deducted from reserves. The Directors do not propose the payment of an ordinary dividend (2006: nil).

The accumulated income statement carried forward for the Group amounted to £35.5m (2006: £33.7m)

Directors

The Directors in office throughout the year are listed below.

Executive

Peter Fothergill	Chairman
David Thatcher*	Chief Executive
Peter Coleman	Finance Director

Non Executive

Michael Gatenby
David Oxlade
Nigel Slater

David Thatcher and Nigel Slater 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 14 to 17.

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 2007 the trade creditors for the Company represented 34 days (2006: 46 days) of the amounts invoiced by suppliers.

Environmental Policy

The Group is committed to the continuous improvement of good environmental practice. Whilst our activities have a relatively low environmental impact, we recognise the importance of compliance with relevant environmental legislation and seek to reduce progressively the impact of the business on the environment.

The Group complies with the Environmental Agency's directive 'Treatment of Non-Hazardous Waste for Landfill', which requires the Group to whenever possible recycle non-hazardous waste at source, such as paper, cardboard, aluminium and steel cans, plastic bottles, neon tubes and batteries. The Group also complies with the EU's 'Waste Electrical and Electronic Equipment' regulations, which requires the separate collection, treatment, recovery and environmentally sound disposal of its electrical equipment.

The Group has been audited by the Carbon Trust to find ways of reducing its carbon footprint and is currently implementing its recommendations and will continue to look for ways to minimise the use of valuable resources and monitor its environmental performance on a regular basis.

Health and Safety

The Group considers Health and Safety to be a top priority in its workplace and is committed to continual improvement of its Safety, Health, Environmental and Fire Protection Procedures through the training of all its employees.

Charitable and Political Contributions

During the year the Group made no political or charitable contributions (2006: nil).

*On 18 January 2008: Simon Saxby was appointed Chief Operating Officer and main Board Director and David Thatcher stepped down as Chief Executive to become a Non Executive Director

Report of the Directors

Employee Involvement

The Group recognises and seeks to encourage the involvement of its employees, with the aim being to recruit, motivate and retain employees. Employees are given training where appropriate.

Each employee receives a staff handbook, which outlines the Group's employment policies and includes a commitment to equal opportunities. The handbook is designed to attract and motivate employees regardless of sex, race, religion or disability. The staff handbook has also been updated to reflect the new Employment Equality (Age) Regulations which came into force on 1 October 2006 and wherever practicable gives full consideration to applications for employment from disabled persons.

The Group operates an annual bonus scheme and a share option scheme, which grants options to individuals within the Enterprise Management Incentive Scheme.

Pension Scheme

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.

Employee Share Schemes

Employee involvement in the financial performance of the Group is encouraged through participation in the Company's share option schemes. Further information on share options is shown in note 23 on page 36.

Major Interests in Shares

At 18 January 2008, the following shareholders held interests in excess of 3% of the ordinary share capital:

Shareholder	Percentage holding	No of ordinary shares
Mrs D Dixon	20.2%	3,950,000
Invesco UK	14.8%	2,900,200
Nortrust Nominees	6.3%	1,238,250
Collins Stewart (CI) Limited	5.2%	1,011,750
New Star Select Opportunities Fund	5.0%	985,000
Barclays Stockbrokers	3.5%	680,575
TD Waterhouse	3.2%	620,803

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 10 April 2008 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 44 and 45. In addition to the ordinary business there are two 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 7,408,830 ordinary shares of 10p each, representing 37.8% 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, 10 July 2009. The Directors have no present intention of exercising the authority, which will be conferred by this resolution.
2. A special resolution to renew until the end of the next Annual General Meeting or, if sooner, 10 July 2009 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 £97,955 (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.

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 Financial Statements

The Directors are responsible for preparing the Annual Report and the associated financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

IAS 1 requires that the financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

1. properly select and apply accounting policies;
2. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
3. provide additional disclosures when compliance with specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
4. make an assessment of the Group's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

1. as far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Group's auditors are unaware; and
2. each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any audit information (as defined) and to establish that the Group's auditors are aware of that information.

This statement is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By the Order of the Board



Peter Coleman
Company Secretary

18 January 2008

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 adopts the necessary structures and procedures. Although Cobra Biomanufacturing Plc 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 Group and has implemented the changes it has felt appropriate, given the Group'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 comprises three Executive Directors*, including the Chairman, three Independent Non-Executive Directors and a Non Executive Director*. 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 seven times during the financial year with each member attending as follows:

Board member	No of meetings held whilst a member	No of meetings attended
Peter Fothergill	7	7
David Thatcher*	7	7
Peter Coleman	7	7
Michael Gatenby	7	7
David Oxlade	7	7
Nigel Slater	7	7

*On 18 January 2008: Simon Saxby was appointed Chief Operating Officer and main Board Director and David Thatcher stepped down as Chief Executive to become a Non Executive Director.

Board Committees

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

Audit Committee: comprises the three Independent 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 the audit and non-audit fees of the external auditors together with their independence and objectivity.

Remuneration Committee: comprises the three Independent Non-Executive Directors with Nigel Slater as Chairman. The Committee 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 14 to 17.

Nomination Committee: comprises the Chairman, Peter Fothergill and the three Independent Non-Executive Directors. Peter Fothergill is the Chairman of the Committee. 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.

Details of all the committee's terms of reference are available on the Company's website www.cobrabio.com. The table overleaf shows the number of committee meetings during the financial year and member's attendance.



Corporate Governance Statement

Committee member	Audit Committee		Remuneration Committee		Nomination Committee	
	No of meetings held whilst a member	No of meetings attended	No of meetings held whilst a member	No of meetings attended	No of meetings held whilst a member	No of meetings attended
Peter Fothergill	n/a	n/a	n/a	n/a	1	1
Michael Gatenby	3	3	1	1	1	1
David Oxlade	3	3	1	1	1	1
Nigel Slater	3	3	1	1	1	1

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 Operating Officer and the Finance Director covering their areas of the business.
3. The Group's Board 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 Senior Management Team (the SMT) meets weekly to review and discuss the current issues facing the Group and financial performance. The SMT is comprised of the operational senior management, including the Chief Operating Officer and the Finance Director who each provide an update. Each member of the SMT 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 SMT.

6. The Board and the SMT 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 has established and embedded within the Group a risk management review process, whereby major key risks facing the Group have been identified and then allocated to the appropriate member of the SMT, whose responsibility it is to manage this risk, by cascading the control and improvement measures through to the employees via the Group's Performance Management System. This process is reviewed bi-annually by the SMT for effectiveness with a report presented to the Board.

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.

The Board encourages individual shareholders to attend the Company's Annual General Meeting, where there is an opportunity for them to raise general business matters with the full Board. The 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 will be published on the Company's website www.cobrabio.com which also includes previous financial reports, press releases, presentations and other announcements made during the year.

Report on Directors' Remuneration

UNAUDITED INFORMATION

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 by 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, by offering 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 2007 is set out in the following table:

	Total 2007 £000's	Total 2006 £000's
Non Executive Directors		
David Bloxham (retired 30 September 2006)	-	23
Michael Gatenby	23	23
David Oxlade	23	5
Nigel Slater	23	23
Total	69	74

Executive Directors' Remuneration

The Committee determines and agrees with the Board on the Group's framework of executive remuneration. 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 once in the year to 30 September 2007 and the Board accepted the Committee's recommendations without amendment.

The current members of the Committee are Michael Gatenby, David Oxlade 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.

Although not members of the Committee, the Chairman, Chief Operating Officer and Finance Director may be invited to attend meetings and the Committee consults them on proposals relating to the remuneration of Executive Directors and Senior Executives. They do not attend when the Committee discusses matters relating to their own remuneration.



Report on Directors' 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 Executive Directors the opportunity to increase their earnings by meeting and outperforming short term objectives through the executive bonus scheme and longer term objectives through the LTIP scheme.
3. Evolve compensation schemes that encourage Executive Directors to hold shares in the Company such as the LTIP scheme.
4. Overall, reward executives fairly and responsibly for their contribution to the Group's short and long term performance; and
5. Aligns, where appropriate the interests of the Executive Directors with those of the members.

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.

Performance related bonus: the annual bonus further motivates the Executive Directors and other Senior Executives to achieve the Group's financial objectives for the financial year. The Committee reviews regularly the basis of the bonus and the targets to be achieved. Given the financial performance for 2007, the Committee decided to not pay a bonus to the Executive Directors or Senior Executives.

Long term incentive arrangements: the Company operates the Cobra Biomanufacturing Plc 2006 Long Term Incentive Plan (LTIP) for the Executive Directors, in addition to the Company's unapproved share option scheme, which is open to all employees of the Company. Both schemes are able to grant options within the Enterprise Management Scheme.

The LTIP is designed to link a substantial part of the long term reward of the Executive Directors to the investment of their own funds in the Company's shares, to align Executive Director's remuneration to improvements in the Company's performance and help retain them over the long term. The LTIP allows for two types of award:

Matching award: this takes the form of an option to acquire a number of shares in the Company at nil cost up to a maximum of three times the number of shares acquired by the participant through the scheme's trust or a SSIP/SSAS pension scheme up to a maximum of £40k in any financial year. The ability to exercise the option will be subject to the prior satisfaction of a performance target.

Option award: this award does not require the participant to invest their own funds to be granted nil cost share options. However the value of share options granted will be limited to one times salary in each financial year.

The first awards under the LTIP were made in August 2006 and were matching awards (details of which are included in the Directors' Share Options and Performance Related Share Awards table on page 17). The performance targets in achieving the options were over a three year period and were split 50% on achievement of a cumulative EPS target of 12 pence and 50% on total shareholder return in comparison to other companies within the FTSE Small Cap Pharmaceutical and Biotechnology Sector.

Other benefits: the former Chief Executive, David Thatcher received and the Finance Director, Peter Coleman receives a motor car, private healthcare and 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 former Chief Executive, David Thatcher was and the Finance Director, Peter Coleman, is a member of the Group's defined contribution personal pension scheme, which is open to all employees. The Group made a contribution of 10% of salary for David Thatcher and 7% for Peter Coleman and both were 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

AUDITED INFORMATION

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

	Basic salary £000's	Bonus £000's	Benefits £000's	Remuneration 2007 £000's	Pension 2007 £000's	Remuneration 2006 £000's	Pension 2006 £000's
Executive Directors							
David Thatcher*	173	-	14	187	17	200	17
Peter Fothergill	108	-	3	111	16	117	16
Peter Coleman	100	-	8	108	7	111	6
Total	381	-	25	406	40	428	39

Directors' Interests

At 30 September 2007, 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:

	2007 No (000's)	Ordinary shares of 10p each 2006 No (000's)	2007 No (000's)	Share options 2006 No (000's)
Executive Directors				
David Thatcher*	67	67	646	646
Peter Fothergill	66	66	510	510
Peter Coleman	20	20	190	190
Non Executive Directors				
Michael Gatenby	30	30	-	-
David Oxlade	-	-	-	-
Nigel Slater	9	9	-	-

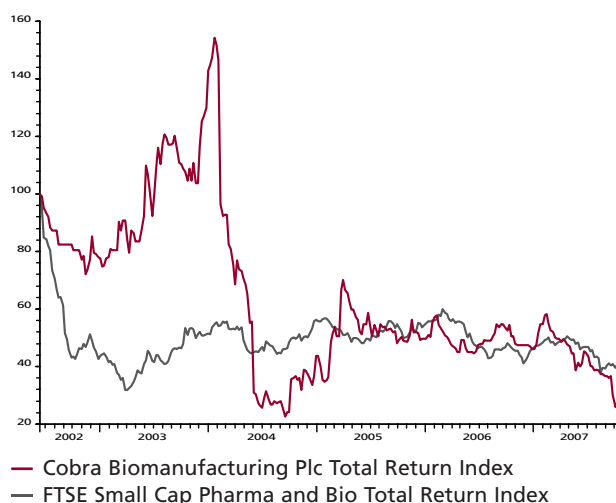
*On 18 January 2008 David Thatcher, stepped down as Chief Executive and became a Non Executive Director

From the end of the financial year until 18 January 2008 there have been no changes in the above interests.

UNAUDITED INFORMATION

Performance Graph

The graph shows the Company's Total Shareholder Return compared to the FTSE Small Cap Pharmaceutical & Biotechnology Sector for the period from 13 June 2002 to 31 October 2007. Total Shareholder Return 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.



Report on Directors' Remuneration

Director's Share Options and Performance Related Share Awards

The Executive Directors have been awarded share options over the Company's shares as follows:

	At 1 October 2006 No (000's)	Granted In year No (000's)	At 30 September 2007 No (000's)	Exercise price pence	Date from which exercisable	Expiry date	Performance conditions
David Thatcher*							
Unapproved scheme	230	-	230	100.0	14.06.05	12.06.12	n/a
Unapproved scheme(i)	269	-	269	96.5	08.07.06	06.07.13	n/a
Unapproved scheme	116	-	116	27.5	13.07.07	11.07.14	n/a
LTIP matching award	31	-	31	Nil	01.10.09	23.08.16	1&2
	646	-	646				
Peter Fothergill							
Unapproved scheme	200	-	200	100.0	14.06.05	12.06.12	n/a
Unapproved scheme	207	-	207	96.5	08.07.06	06.07.13	n/a
Unapproved scheme	73	-	73	27.5	13.07.07	11.07.14	n/a
LTIP matching award	30	-	30	Nil	01.10.09	23.08.16	1&2
	510	-	510				
Peter Coleman							
Unapproved scheme	60	-	60	100.0	14.06.05	12.06.12	n/a
Unapproved scheme(ii)	74	-	74	96.5	08.07.06	06.07.13	n/a
Unapproved scheme(ii)	33	-	33	27.5	13.07.07	11.07.14	n/a
LTIP matching award	23	-	23	Nil	01.10.09	23.08.16	1&2
	190	-	190				

*On 18 January 2008 David Thatcher, stepped down as Chief Executive to become a Non Executive Director

Performance Criteria:

1. EPS Target: for each complete 1 penny by which the aggregate of the earnings per share in respect of the financial years 2006, 2007 & 2008 is achieved, the participant is entitled to exercise 4.17% of the options granted, up to a maximum 12 pence or 50% of the options granted.
2. TSR: If the Company is ranked equal to the 50th percentile of the FTSE Small Cap Pharmaceutical and Biotechnology Sector at the end of the financial year 2008, the participant is entitled to exercise 25% of the options granted, for each complete 1% by which the Company is ranked above the 50th percentile, the participant is entitled to exercise a further 1%, up to a maximum of the 75th percentile or 50% of the options granted.

Notes:

- (i) 103,627 of the options were granted under the Enterprise Management Incentive Scheme (EMI Scheme).
- (ii) All of the options were granted under the EMI scheme.

All of the share options granted to the Directors under the unapproved share option scheme 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 2007 was 29.25 pence (30 September 2006 51.50 pence) and the range during the year was 57.00 pence to 29.25 pence.



Nigel Slater
Chairman - Remuneration Committee

18 January 2008

Independent Auditors' Report to the Members of Cobra Biomanufacturing Plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Cobra Biomanufacturing Plc for the year ended 30 September 2007 which comprises the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 29. These financial statements have been prepared under 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' responsibilities for preparing the Annual Report and associated financial statements in accordance with applicable law and IFRSs as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes specific information presented in the Financial and Business Review that is cross referenced from the Business Review section of the Financial and Business Review.

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises the Report of the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Financial and Business Review and the Corporate Governance Statement. 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 further information outside the Annual Report.

Basis of audit opinion

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

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

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and Parent Company's affairs as at 30 September 2007 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and,
- the information given in the Report of the Directors is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

18 January 2008



Group Income Statement

for the Year Ended 30 September 2007

	Notes	2007 £000's	2006 £000's
Revenue	4&5	9,194	10,145
Cost of sales		(5,329)	(4,808)
Gross profit	5	3,865	5,337
Sales, marketing and distribution costs		(1,058)	(1,079)
Research and development		(606)	(401)
Administrative expenses (excluding share based payments)		(3,914)	(3,733)
Share based payments		(32)	(122)
Total administrative expenses		(3,946)	(3,855)
Reorganisation costs		(90)	-
Operating (loss)/profit		(1,835)	2
Finance income	8	101	192
Finance costs	9	(151)	(123)
(Loss)/profit before tax	6	(1,885)	71
Taxation	10	110	55
(Loss)/profit for the year		(1,775)	126
Basic (loss)/earnings per share	12	(9.1)p	0.6p

The results for the year and preceding year are derived from continuing activities.

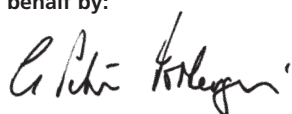
There were no recognised income or expenditure other than the loss for the year and the profit for the preceding year, accordingly no Statement of Recognised Income and Expense has been prepared.

Balance Sheets

as at 30 September 2007

	Notes	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Non current assets					
Property, plant and equipment	13	8,504	8,355	-	-
Intangible assets	14	143	160	-	-
Investments in subsidiary	15	-	-	600	600
		8,647	8,515	600	600
Current assets					
Inventories	16	382	595	-	-
Trade and other receivables	17	1,456	2,273	1,833	2,426
Short term investments		275	275	275	275
Cash and cash equivalents		1,338	2,940	1,336	2,784
		3,451	6,083	3,444	5,485
Total assets		12,098	14,598	4,044	6,085
Current liabilities					
Bank loans and overdraft	19	(194)	(37)	-	(37)
Obligations under finance leases	20	(639)	(470)	-	-
Trade and other payables	18	(2,190)	(3,302)	(274)	(579)
		(3,023)	(3,809)	(274)	(616)
Net current assets		428	2,274	3,170	4,869
Non current liabilities					
Bank loans	19	(1,916)	(1,773)	-	(1,773)
Obligations under finance leases	20	(890)	(1,004)	-	-
		(2,806)	(2,777)	-	(1,773)
Total liabilities		(5,829)	(6,586)	(274)	(2,389)
Net assets		6,269	8,012	3,770	3,696
Equity					
Called up share capital	22	1,959	1,959	1,959	1,959
Share premium		9,634	9,634	9,634	9,634
Merger reserve		29,729	29,729	-	-
Other reserves		453	421	453	421
Income statement		(35,506)	(33,731)	(8,276)	(8,318)
Total equity		6,269	8,012	3,770	3,696

The financial statements on pages 19 to 43 were approved by the Board of Directors on 18 January 2008 and were signed on its behalf by:



Peter Fothergill
Chairman



Peter Coleman
Finance Director and Company Secretary



Cash Flow Statements

for the Year Ended 30 September 2007

	Notes	2007 Group £000's	2006 Group £000's	2007 Company £000's	2006 Company £000's
Net cash (outflow)/inflow from operating activities	24	(871)	1,141	(263)	219
Investing activities					
Payments to acquire property, plant and equipment		(1,069)	(1,484)	-	-
Payments to acquire intangible assets		(4)	(157)	-	-
Net cash outflow from investing activities		(1,073)	(1,641)	-	-
Financing activities					
New borrowings		487	1,650	-	1,650
Repayment of borrowings		(253)	(1,100)	(1,796)	(1,100)
Decrease/(increase) in amounts owed by Group undertakings		-	-	571	(418)
Lease finance acquired via sale and leaseback		558	504	-	-
Repayment of capital elements of finance leases		(502)	(372)	-	-
Increase in overdraft		80	-	-	-
Issue of ordinary shares		-	8	-	8
Purchase of treasury shares		-	(8)	-	(8)
Finance income		63	65	54	60
Interest on bank loans		(45)	(33)	-	-
Interest element of finance leases		(106)	(94)	-	-
Net cash inflow/(outflow) from financing activities		282	620	(1,171)	192
(Decrease)/increase in cash and cash equivalents		(1,662)	120	(1,434)	411
Opening cash and cash equivalents		2,940	2,760	2,784	2,392
Effect of foreign exchange gains/(losses)		60	60	(14)	(19)
Closing cash and cash equivalents		1,338	2,940	1,336	2,784

Statements of Changes in Equity

as at 30 September 2007

Group

	Share capital £000's	Share premium £000's	Merger reserve £000's	Other reserves £000's	Income statement £000's	Total £000's
At 1 October 2005	1,951	9,634	29,729	307	(33,857)	7,764
Increase in share capital	8	-	-	-	-	8
Shares purchased by Company	-	-	-	(8)	-	(8)
Share based payment	-	-	-	122	-	122
Profit for the year	-	-	-	-	126	126
At 30 September 2006	1,959	9,634	29,729	421	(33,731)	8,012
Share based payments	-	-	-	32	-	32
Loss for the year	-	-	-	-	(1,775)	(1,775)
At 30 September 2007	1,959	9,634	29,729	453	(35,506)	6,269

Company

	Share capital £000's	Share premium £000's	Other reserves £000's	Income statement £000's	Total £000's
At 1 October 2005	1,951	9,634	307	(8,373)	3,519
Increase in share capital	8	-	-	-	8
Shares purchased by Company	-	-	(8)	-	(8)
Share based payment	-	-	122	-	122
Profit for the year	-	-	-	55	55
At 30 September 2006	1,959	9,634	421	(8,318)	3,696
Share based payments	-	-	32	-	32
Profit for the year	-	-	-	42	42
At 30 September 2007	1,959	9,634	453	(8,276)	3,770



Notes to the Financial Statements

for the Year Ended 30 September 2007

1 GENERAL INFORMATION

Cobra Biomanufacturing Plc is a company incorporated in the UK under the Companies Act 1985. The address of the registered office is given on page 47. The nature of the Group's operations and its principal activities are set out in note 4 and in the Financial and Business Review on pages 5 to 7.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

At the date of signing these financial statements, the following standards and Interpretations which have not been applied in these financial statements were in issue not effective:

IFRS 7	<i>Financial Instruments: Disclosures; and the Related Amendments to IAS 1 on Capital Disclosures</i>
IFRS 8	<i>Operating Segments</i>
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>
IFRIC 12	<i>Service Concession Arrangements</i>
IFRIC 13	<i>Customer Loyalty Programmes</i>
IFRIC 14/IAS 19	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions</i>

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except for additional disclosures on the adoption of IFRS 7.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation: The Group's previous financial statements have been prepared under UK Generally Accepted Accounting Practice (UK GAAP). However for the financial year ended 30 September 2007, the Group has decided to prepare its annual financial statements in accordance with IFRS as adopted by the EU and implemented in the UK.

The presentation of financial information under IFRS is governed by IFRS 1. In some cases this will require the presentation of an item in a different position, or the use of a different description in the IFRS income statement or balance sheet to that adopted in the UK GAAP profit and loss account or balance sheet. These reclassifications have been described in the explanatory notes.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's profit and income statement for the year ended 30 September 2006, and the Group's and Company's equity and balance sheets as at 1 October 2005 and 30 September 2006 is set out in note 29 on pages 38 to 43.

Basis of consolidation: The Company has taken the exemption available under Section 230 of the Companies Act 1985 from presenting an income statement for the Company, Cobra Biomanufacturing Plc only. The consolidated financial statements comprise the accounts of Cobra Biomanufacturing Plc and its subsidiary undertakings, Cobra Biologics Limited, Cobra Oral Technology Limited, Cobra Biomanufacturing EBT Limited and Cobra Biomanufacturing LLC up to 30 September 2007.

Revenue: Excludes value added tax and represents amounts receivable in respect of the sale of services during the year. Revenue on contracts is invoiced in accordance with the terms of the agreement with the customer. Non refundable deposits, which are usually invoiced and paid upon contractual signature, are recognised as revenue as the contract progresses. The remainder of the contractual revenue is recognised upon the stage of completion when the outcome of the contract can be foreseen with reasonable certainty and after allowing for costs of completion.

Research and development expenditure: Expenditure on new manufacturing process improvements or know how, which includes internal wage costs and external costs such as patenting, external studies and consultancy which the Group is satisfied that it is probable that future economic benefit will result, is capitalised as an intangible asset and amortised through research and development expenditure over its expected useful life. Capitalisation commences from the point at which the technical feasibility and commercial viability can be demonstrated.

Expenditure that does not meet the above criteria is written off in the period in which it is incurred.

Intangible assets: Are stated at cost less provisions for amortisation and impairments. Patents and know how are amortised over their estimated useful economic lives from the time they are available for use. The estimated useful lives for determining the amortisation charge are reviewed annually.

Notes to the Financial Statements

for the Year Ended 30 September 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment: Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost less residual value of each asset evenly over its expected useful life as follows:

Freehold buildings	between 15 and 50 years
Plant and laboratory equipment	between 6.67 and 15 years
Short leasehold building improvements	6.67 years
Office equipment	4 years
Motor vehicles	3 years

The cost of property, plant and equipment includes directly attributable finance costs, calculated on a day to day basis, on expenditure incurred during construction and modification. The carrying values of property, plant and equipment 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.

Taxation: The tax income represents the sum of the current tax receivable and deferred tax. The tax currently receivable is based on the taxable (loss)/profit for the year. Taxable losses differ from the net (loss)/profit as reported in the income statement because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable (loss)/profit, and is accounted for using the balance sheet asset method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable (loss)/profit nor the accounting (loss)/profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited direct to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

Inventories: Are stated in the balance sheet at the lower of cost incurred in bringing each element of inventory 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 and provision is also made for slow moving or obsolete items.

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 income statement 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.



Notes to the Financial Statements

for the Year Ended 30 September 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments: The Group has applied the requirements of IFRS 2 'Share Based Payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002, that were invested at 1 October 2005.

The Group makes equity settled share based payments to its employees and directors. Equity settled share based payments are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period of the award. At each balance sheet date, Cobra revises its estimate of the number of options that are expected to become exercisable.

The value of any shares or options granted is charged to the income statement over the period the shares vest, with a corresponding credit to reserves. When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

Short term investments: Assets in this category are held at amortised cost and are short term deposits with original maturities of more than three months.

Cash and cash equivalents: Include cash in hand and at bank and short term deposits with original maturities of three months or less.

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 income statement.

Financial instruments: The Group uses financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not currently hedge account, nor does it hold or issue derivative financial instruments for speculative purposes. 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.

Employee benefits: The Group operates a defined contribution pension scheme, covering all eligible employees. Contributions to the pension scheme and all other employee benefit costs, most notably holiday pay are charged to the income statement on an accruals basis.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Revenue recognition: In making its judgement with regard to revenue recognition, the Directors have considered the detailed criteria for the recognition of revenue for the provision of services set out in IAS 18 'Revenue' and in particular for each service contract whether a stage deliverable had been achieved.

Key sources of estimation uncertainty

Impairment of assets: Determining whether the non current assets of the Group and the Company's investment in subsidiaries are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

Additionally, estimates and assumptions have been made by management in respect of the fair values of share options, the estimated useful life of tangible and intangible assets, accruals and prepayments.

Notes to the Financial Statements

for the Year Ended 30 September 2007

4 REVENUE

All revenue is generated from continuing operations, the analysis of which is as follows:

	2007	2006
	£000's	£000's
The rendering of services	9,099	10,145
License revenue	95	-
	9,194	10,145

Finance income is disclosed separately in the income statement and has been excluded from this note.

The licensing revenue generated in the year was received from a North American customer, whose product type was protein and the payment is associated with contract manufacturing services.

5 BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group provides contract manufacturing services for the biopharmaceutical industry.

Management segments the Group's service contracts by revenue and gross profit contribution into business segments, defined by the customer's product type (i.e. protein, virus, DNA and cell line) and geographically, by the four key territories in which its customers are located (North America, Europe excluding UK, UK and Rest of the World) to provide some level of trend performance, recognising that there will always be a degree of variability in segmental performance due to the technical complexity and scientific uniqueness of each service contract.

Management does not allocate sales, marketing and distribution costs, research and development, administrative expenses, finance income, finance costs, taxation and net assets to individual service contract or business or geographic segments, as they are regarded by the Group as central overheads/assets.

Business segments: The business segmental results for 2007 and 2006 are as follows:

2007	Protein	Virus	DNA	Cell Line	Total
	£000's	£000's	£000's	£000's	£000's
Revenue by customer product type	4,288	2,802	1,817	287	9,194
Cost of sales	(2,378)	(1,318)	(1,522)	(111)	(5,329)
Gross profit	1,910	1,484	295	176	3,865
Sales, marketing and distribution costs					(1,058)
Research and development					(606)
Administrative expenses (excluding share based payments)					(3,914)
Share based payments					(32)
Total administrative expenses					(3,946)
Reorganisation costs					(90)
Operating loss					(1,835)
Finance income					101
Finance costs					(151)
Loss before tax					(1,885)
Taxation					110
Loss for the year					(1,775)
Net assets					6,269



Notes to the Financial Statements

for the Year Ended 30 September 2007

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2006	Protein £000's	Virus £000's	DNA £000's	Cell Line £000's	Total £000's
Revenue by customer product type	6,742	1,946	1,013	444	10,145
Cost of sales	(3,184)	(824)	(637)	(163)	(4,808)
Gross profit	3,558	1,122	376	281	5,337
Sales, marketing and distribution costs					(1,079)
Research and development					(401)
Administrative expenses (excluding share based payments)					(3,733)
Share based payments					(122)
Total administrative expenses					(3,855)
Operating profit					2
Finance income					192
Finance costs					(123)
Profit before tax					71
Taxation					55
Profit for the year					126
Net assets					8,012

Geographic segments: The geographical segmental results for 2007 and 2006 are as follows:

2007	North America £000's	Europe (excl UK) £000's	UK £000's	Rest of the World £000's	Total £000's
Revenue by customer location	5,985	2,834	212	163	9,194
Cost of sales	(2,645)	(2,515)	(125)	(44)	(5,329)
Gross profit	3,340	319	87	119	3,865
Sales, marketing and distribution costs					(1,058)
Research and development					(606)
Administrative expenses (excluding share based payments)					(3,914)
Share based payments					(32)
Total administrative expenses					(3,946)
Reorganisation costs					(90)
Operating loss					(1,835)
Finance income					101
Finance costs					(151)
Loss before tax					(1,885)
Taxation					110
Loss for the year					(1,775)
Net assets					6,269

Notes to the Financial Statements

for the Year Ended 30 September 2007

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2006	North America £000's	Europe (excl UK) £000's	UK £000's	Rest of the World £000's	Total £000's
Revenue by customer location	8,657	703	589	196	10,145
Cost of sales	(3,990)	(392)	(361)	(65)	(4,808)
Gross profit	4,667	311	228	131	5,337
Sales, marketing and distribution costs					(1,079)
Research and development					(401)
Administrative expenses (excluding share based payments)					(3,733)
Share based payments					(122)
Total administrative expenses					(3,855)
Operating profit					2
Finance income					192
Finance costs					(123)
Profit before tax					71
Taxation					55
Profit for the year					126
Net assets					8,012

6 (LOSS)/PROFIT FOR THE YEAR

This is stated after charging/(crediting):

	2007 £000's	2006 £000's
Research and development	606	401
Amortisation of patents	17	1
Depreciation of owned assets	559	509
Depreciation of assets held under finance leases	291	228
Operating leases - plant and machinery	45	37
Operating leases - land and buildings	258	240
Government grants	(96)	(72)
Fees payable to Company's auditors for the audit of annual accounts		
Audit of Company's financial statements	17	15
Other audit services to the Group	16	15
Total audit fees	33	30
Fees payable to Company's auditors for other services to the Group		
Other services pursuant to legislation	16	7
Tax services	5	29
Other services	2	-
Total non audit fees	23	36



Notes to the Financial Statements

for the Year Ended 30 September 2007

7 STAFF COSTS

Directors' remuneration

The full detail of Directors' remuneration and share options are included in the Report on Directors' Remuneration on pages 14 to 17.

Employees

The average monthly number of people (including directors) employed:

<i>Group</i>	2007	2006
	No.	No.
Manufacturing	92	78
Sales, marketing and distribution	11	11
Research and development	6	5
Administration	27	24
	136	118

Their aggregate remuneration comprised:

	2007	2006
	£000's	£000's
Wages and salaries	4,340	4,032
Social security costs	426	361
Other pension costs	201	174
	4,967	4,567

Included in the wages and salaries analysis above are the effects of share based payments during the year of £32k (2006: £122k)

Company

The average monthly number of people employed by the Company within administration was 3 (2006: 3).

Their aggregate remuneration comprised:

	2007	2006
	£000's	£000's
Wages and salaries	69	74
Social security costs	4	5
	73	79

8 FINANCE INCOME

	2007	2006
	£000's	£000's
Bank interest receivable	63	65
Exchange rate gains	38	127
	101	192

Notes to the Financial Statements

for the Year Ended 30 September 2007

9 FINANCE COSTS

	2007 £000's	2006 £000's
Interest payable on bank loans	45	33
Interest payable on finance leases	106	94
	151	127
Less: interest capitalised	-	(4)
	151	123

10 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 2007 and 2006.

	2007 £000's	2006 £000's
Taxation on (loss)/profit on ordinary activities		
Tax credit in relation to R&D claim	(100)	(55)
Adjustments in respect of previous periods	(10)	-
	(110)	(55)

Factors affecting the tax credit for the year

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

	2007 £000's	2006 £000's
(Loss)/profit on ordinary activities before tax	(1,885)	71
(Loss)/profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2006: 30%)	(566)	21
Effect of		
Disallowed expenses and non taxable income	5	5
Depreciation in excess of/(less than) capital allowances	237	(134)
Other timing differences	18	(11)
Adjustment in respect of previous periods	(10)	42
Tax losses carried forward/(utilised)	176	(4)
Difference in R&D rate and standard rate of tax	30	26
Current tax credit for the year	(110)	(55)

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 £16.0m (2006: £14.2m).



Notes to the Financial Statements

for the Year Ended 30 September 2007

10 TAXATION (continued)

Deferred taxation

The deferred tax recognised and not recognised is as follows:

<i>Group</i>	Recognised 2007 £000's	Not Recognised 2007 £000's	Recognised 2006 £000's	Not Recognised 2006 £000's
Accelerated capital allowances	-	(661)	-	(534)
Other timing differences	-	(11)	-	7
Tax losses	-	(4,455)	-	(4,270)
	-	(5,127)	-	(4,797)

Company

The deferred tax recognised and not recognised was nil (2006: nil).

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.

11 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company for the year ended 30 September 2007 was £42k (2006 £55k profit).

12 (LOSS)/EARNINGS PER ORDINARY SHARE

	2007 £000's	2006 £000's
(Loss)/profit for the year	(1,775)	126
Weighted average number of shares (000's)	19,591	19,504
(Loss)/earnings per share (pence)	(9.1)	0.6

The loss for the year and the weighted average number of ordinary shares for calculating the diluted loss per share for the year ended 30 September 2007 are identical to that 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.

Notes to the Financial Statements

for the Year Ended 30 September 2007

13 PROPERTY, PLANT AND EQUIPMENT

Group	Plant and laboratory equipment £000's	Motor vehicles £000's	Office equipment £000's	Short leasehold building improvements £000's	Freehold land & buildings £000's	Assets under construction £000's	Total £000's
Cost							
At 1 October 2005	6,034	8	688	1,845	3,348	256	12,179
Additions	576	-	156	-	-	865	1,597
Transfers	154	-	-	-	881	(1,035)	-
Decapitalised	(998)	-	(295)	(1,845)	-	-	(3,138)
At 1 October 2006	5,766	8	549	-	4,229	86	10,638
Additions	790	-	68	-	7	134	999
Transfers	-	-	-	-	180	(180)	-
At 30 September 2007	6,556	8	617	-	4,416	40	11,637
Depreciation							
At 1 October 2005	2,094	4	528	1,845	213	-	4,684
Charge for the year	503	2	83	-	149	-	737
Decapitalised	(998)	-	(295)	(1,845)	-	-	(3,138)
At 1 October 2006	1,599	6	316	-	362	-	2,283
Charge for year	575	2	103	-	170	-	850
At 30 September 2007	2,174	8	419	-	532	-	3,133
Carrying amount							
At 30 September 2007	4,382	-	198	-	3,884	40	8,504
At 30 September 2006	4,167	2	233	-	3,867	86	8,355

The net book value of tangible fixed assets includes £2,013,170 (2006: £1,760,899) 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 £73,754 (2006: £73,754) of capitalised interest relating to the property mortgage loan taken out to purchase freehold land and buildings.



Notes to the Financial Statements

for the Year Ended 30 September 2007

14 INTANGIBLE FIXED ASSETS

<i>Group</i>	Patents £000's
Cost	
At 1 October 2005	-
Additions	161
At 1 October 2006	161
Additions	-
At 30 September 2007	161
Amortisation	
At 1 October 2005	-
Charge for the year	1
At 1 October 2006	1
Charge for the year	17
At 30 September 2007	18
Carrying amount	
At 30 September 2007	143
At 30 September 2006	160

Patent costs are amortised evenly over their useful economic lives.

15 INVESTMENTS

<i>Company</i>	Shares in subsidiary undertakings £000's
Cost	
At 1 October 2006 and at 30 September 2007	600
Provisions	
At 1 October 2006 and at 30 September 2007	-
Net book value	
At 1 October 2006 and at 30 September 2007	600

On 3 July 2007 the Company acquired the entire issued share capital of Cobra Oral Technology Limited at par for a cash consideration of £1.

At 30 September 2007 the Company had the following subsidiary undertakings:

Subsidiary undertaking	Nature of business	Country of incorporation
Cobra Biologics Limited	Manufacture of protein, virus and DNA based pharmaceuticals	England and Wales
Cobra Oral Technology Limited	Research and development of oral vaccines	England and Wales
Cobra Biomanufacturing EBT Limited	Employee benefit trust	England and Wales
Cobra Biomanufacturing LLC	Dormant	USA

Notes to the Financial Statements

for the Year Ended 30 September 2007

16 INVENTORIES

	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Raw materials & consumables	222	221	-	-
Work in progress	160	374	-	-
	382	595	-	-

17 TRADE AND OTHER RECEIVABLES

	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Trade receivables	790	1,445	4	2
Amounts owed by Group undertakings	-	-	1,789	2,360
Other receivables	292	319	18	31
Prepayments	374	509	22	33
	1,456	2,273	1,833	2,426

The average credit period taken on the sales of services is 36 days (2006: 48 days). No interest is charged on the receivables that are overdue. An allowance has been made for estimated irrecoverable amounts from the sale of services of £81,967 (2006: £99,996). This allowance relates to specific unpaid balances.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

18 TRADE AND OTHER PAYABLES

	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Trade payables	1,085	1,394	124	373
Taxation	125	121	36	38
Deferred income	516	1,195	-	-
Accruals and other provisions	464	592	114	168
	2,190	3,302	274	579

19 BANK LOANS AND OVERDRAFT

	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Bank overdraft	80	-	-	-
Loan	2,030	1,810	-	1,810
	2,110	1,810	-	1,810

The loans are mortgage facilities, secured against freehold land and buildings. They are repayable in monthly instalments, over a 13 year period commencing November 2007.

The Group pays an interest rate of 1.65% over the National Westminster Bank Plc's base rate on the bank overdraft and outstanding mortgage balance.



Notes to the Financial Statements

for the Year Ended 30 September 2007

19 BANK LOANS AND OVERDRAFT (continued)

	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Bank loans and overdrafts are repayable as follows:				
Within one year	194	37	-	37
In the second year	156	104	-	104
In the third to fifth years inclusive	468	418	-	418
After five years	1,292	1,251	-	1,251
	2,110	1,810	-	1,810
Amount due for settlement within 12 months	(194)	(37)	-	(37)
Amount due for settlement after 12 months	1,916	1,773	-	1,773

20 OBLIGATIONS UNDER FINANCE LEASES

	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Finance leases are repayable as follows:				
Within one year	639	470	-	-
In the second year	511	504	-	-
In the third to fifth years inclusive	379	500	-	-
	1,529	1,474	-	-
Amount due for settlement within 12 months	(639)	(470)	-	-
Amount due for settlement after 12 months	890	1,004	-	-

It is the Group's policy to lease certain plant and equipment. The average lease term is 33 months (2006: 37 months). For the year ended 30 September 2007 the average effective borrowing rate was 8.0% (2006: 7.5%). Interest rates are fixed at the contract date. All lease payments are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations is approximate to their carrying values.

The Group's obligations under finance leases are secured by the lessor's rights over the leased assets.

21 OTHER FINANCIAL COMMITMENTS

At the 30th September 2007 the Group had total future outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	2007 £000's	Land & buildings 2006 £000's	2007 £000's	Other 2006 £000's
Leases are repayable as follows:				
Within one year	230	211	30	32
In the second to fifth year	728	620	30	21
After five years	546	617	-	-
	1,504	1,448	60	53

Operating lease payments represent rentals payable by the Group for certain of its office equipment and properties. Leases are negotiated for an average term of 5 and 12 years respectively and rentals are fixed for an average of 5 and 2 years respectively.

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

Notes to the Financial Statements

for the Year Ended 30 September 2007

22 CALLED UP SHARE CAPITAL

	No. (000's)	£000's
Authorised		
At 1 October 2006 and at 30 September 2007	27,000	2,700
Allotted, called up and fully paid	No.	£
At 1 October 2006 and at 30 September 2007	19,591	1,959

23 SHARE BASED PAYMENTS

The Company operates an unapproved share option scheme for all employees of the Group. All of the share options granted under the unapproved share option scheme have been 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. The vesting period is 3 years. If the options remain unexercised after a period of 10 years after grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The Company also operates an LTIP scheme for Executive Directors, details of which can be found in the Directors' Remuneration Report on page 17. Both the LTIP and unapproved share option scheme are able to grant options within the Enterprise Management Scheme.

Details of the share options outstanding during the year are as follows:

Unapproved share option scheme	2007 Number of share options (000's)	2007 Weighted average exercise price (in £)	2006 Number of share options (000's)	2006 Weighted average exercise price (in £)
Outstanding at the beginning of the year	1,670	0.86	1,864	0.84
Granted during the year	59	0.56	38	0.50
Forfeited during the year	(109)	0.89	(232)	0.67
Exercised during the year	-	-	-	-
Outstanding at the end of the year	1,620	0.85	1,670	0.86
Exercisable at the end of the year	1,505	0.88	1,246	1.01
LTIP scheme	2007 Number of share options (000's)	2007 Weighted average exercise price (in £)	2006 Number of share options (000's)	2006 Weighted average exercise price (in £)
Outstanding at the beginning of the year	84	nil	-	nil
Granted during the year	-	nil	84	nil
Forfeited during the year	-	nil	-	nil
Exercised during the year	-	nil	-	nil
Outstanding at the end of the year	84	nil	84	nil
Exercisable at the end of the year	-	nil	-	nil

There were no share options exercised in the year (2006: nil). The options outstanding at 30 September 2007 had a weighted average exercise price of £0.81 (2006: £0.82) and a weighted average remaining contractual life of 5.9 years (2006: 6.8 years). In financial year 2007, 58,697 options were granted on 15 February 2007. The aggregate of the estimated fair value of those options granted on that date is £21,252. In financial year 2006, 27,198 options were granted on 13 February 2006, 10,458 options were granted on 7 August 2006 and 83,897 options were granted on 24 August 2006. The aggregate of the estimated fair value of those options granted on those dates is £26,081.



Notes to the Financial Statements

for the Year Ended 30 September 2007

23 SHARE BASED PAYMENTS (continued)

The inputs into the Black Scholes model are as follows:

	2007	2006
Weighted average share price	£0.75	£0.75
Weighted average exercise price	£0.72	£0.72
Expected volatility	50.4%	50.4%
Expected life	8 years	8 years
Risk free rate	4.6%	4.6%
Expected dividend yield	0.0%	0.0%

24 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Group 2007 £000's	Group 2006 £000's	Company 2007 £000's	Company 2006 £000's
Operating (loss)/profit	(1,835)	2	(12)	(5)
Reorganisation costs	90	-	-	-
Depreciation of property, plant & equipment	850	737	-	-
Amortisation of intangible fixed assets	17	1	-	-
Share based payments	32	122	32	122
Decrease/(increase) in inventories	213	(364)	-	-
Decrease/(increase) in trade and other receivables	812	(203)	22	(46)
(Decrease)/increase in deferred income	(679)	839	-	-
(Decrease)/increase in trade and other payables	(436)	(42)	(305)	148
	(936)	1,092	(263)	219
R&D tax credit	65	49	-	-
Net cash (outflow)/inflow from operating activities	(871)	1,141	(263)	219

25 FINANCIAL INSTRUMENTS

Currency derivatives

The Group utilises currency derivatives to hedge future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposure. The instruments purchased are either denominated in US dollars or Euros. At 30 September 2007, total notional amounts of outstanding forward exchange contracts that the Group had committed to are as follows:

	2007 £000's	2006 £000's
Forward foreign exchange contracts	361	1,202

These arrangements are designed to address the potential for foreign exchange rate exposure for the contracted forward order book and are renewed on a revolving basis as required.

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.

Notes to the Financial Statements

for the Year Ended 30 September 2007

25 FINANCIAL INSTRUMENTS (continued)

<i>Functional currency of Group operations</i>	Net currency monetary assets/(liabilities)			
	US Dollar £000's	Euro £000's	Other £000's	Total £000's
2007				
Sterling	110	51	1	162
2006				
Sterling	375	122	2	499

26 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £nil (2006: £114,470).

27 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 £185,009 (2006: £158,774). Contributions totalling £27,428 (2006: £22,022) were payable at the year end.

28 RELATED PARTY TRANSACTIONS

Group

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Company

In the year a management fee of £1,552,048 (2006: £1,550,973) was charged by Cobra Biomanufacturing Plc to Cobra Biologics Limited.

29 EXPLANATION OF THE TRANSITION TO IFRS

For all periods up to and including the year ended 30 September 2006, the Group prepared its financial statements in accordance with UK GAAP.

In preparing these financial statements, the Group has started from an opening balance sheet as at 1 October 2005 the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1, for the first time adoption of IFRS.

IFRS 1 allows first time adopters certain exemptions from the general requirements to retrospectively apply IFRS as effective for the 30 September 2005 year end. The optional exemptions taken by the Group are as follows:

Business combinations: The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations that took place prior to the transition date. Consequently, goodwill arising on business combinations before the transition date remains at its previous UK GAAP carrying value as at the date of transition.

Share based payments: The Group has adopted the exemption in IFRS 1 such that the application of IFRS 2 'Share Based Payments' applies only to awards made after 7 November 2002, which have not vested by 1 October 2005.

The principal impact of IFRS on these financial statements has been in relation to the following:

- There is a provision for holiday pay shown under administrative expenditure.
- In accordance with IFRS 2, share based payments are measured at a fair value at the date of grant and expensed on a straight line basis over the vesting period of the award.
- Under IFRS Cobra has chosen to reclassify foreign exchange gains under finance income, under UK GAAP they were previously shown under administrative expenditure.
- Under UK GAAP short term bank deposits were included in cash at bank including short term deposits, under IFRS, those with original maturities of less than three months are included in cash and cash equivalents and those with original maturities of three months or more are shown under short term investments.



Notes to the Financial Statements

for the Year Ended 30 September 2007

29 EXPLANATION OF THE TRANSITION TO IFRS (continued)

The reconciliation between UK GAAP and IFRS for the Group's profit for the year and income statements for the year ended 30 September 2006 and the Group's and Company's total equity and balance sheets as at 1 October 2005 (the date of transition) and 30 September 2006 are presented below:

Reconciliation of the Group's profit for the year ended 30 September 2006

		2006 £000's
Profit after tax under UK GAAP		265
Holiday pay accrual	a	(18)
Share based payments	b	(121)
Profit after tax under IFRS		126

Reconciliation of the Group's income statement for the year ended 30 September 2006

		UK GAAP £000's	IFRS effect £000's	IFRS £000's
Revenue		10,145	-	10,145
Cost of sales		(4,808)	-	(4,808)
Gross profit		5,337	-	5,337
Sales, marketing and distribution costs		(1,079)	-	(1,079)
Research and development		(401)	-	(401)
Administrative expenses (excluding share based payments)	a & c	(3,588)	(145)	(3,733)
Share based payment	b	(1)	(121)	(122)
Total administrative expenses		(3,589)	(266)	(3,855)
Operating profit		268	(266)	2
Finance income	c	65	127	192
Finance costs		(123)	-	(123)
Profit before tax		210	(139)	71
Taxation		55	-	55
Profit after tax		265	(139)	126

Reconciliation of the Group's and Company's equity as at 1 October 2005 (date of transition) and 30 September 2006

		Group		Company	
		1 Oct 2005 £000's	30 Sept 2006 £000's	1 Oct 2005 £000's	30 Sept 2006 £000's
Total equity under UK GAAP		7,813	8,079	3,256	3,325
Holiday pay accrual	a	(49)	(67)	(19)	(23)
Share based payments	b	-	-	282	394
Total equity under IFRS		7,764	8,012	3,519	3,696

Notes to the Financial Statements

for the Year Ended 30 September 2007

29 EXPLANATION OF THE TRANSITION TO IFRS (continued)

Reconciliation of the Group's balance sheet presentation at 1 October 2005 (Date of transition to IFRS)

		UK GAAP £000's	IFRS effect £000's	IFRS £000's
Non current assets				
Property, plant and equipment		7,495	-	7,495
Current assets				
Inventories		233	-	233
Trade and other receivables	b	2,013	-	2,013
Short term investments	d	-	275	275
Cash and cash equivalents	d	3,036	(275)	2,761
		5,282	-	5,282
Total assets		12,777	-	12,777
Current liabilities				
Obligations under finance leases		(306)	-	(306)
Trade and other payables	a	(2,475)	(49)	(2,524)
		(2,781)	(49)	(2,830)
Net current assets		2,501	(49)	2,452
Non current liabilities				
Bank loans		(1,280)	-	(1,280)
Obligations under finance leases		(903)	-	(903)
		(2,183)	-	(2,183)
Total liabilities		(4,964)	(49)	(5,013)
Net assets		7,813	(49)	7,764
Equity				
Share capital		1,951	-	1,951
Share premium		9,634	-	9,634
Merger adjustment		29,729	-	29,729
Other reserves	b	-	307	307
Income statement	a & b	(33,501)	(356)	(33,857)
Total equity		7,813	(49)	7,764



Notes to the Financial Statements

for the Year Ended 30 September 2007

29 EXPLANATION OF THE TRANSITION TO IFRS (continued)

Reconciliation of the Company's balance sheet presentation at 1 October 2005 (Date of transition to IFRS)

		UK GAAP £000's	IFRS effect £000's	IFRS £000's
Non current assets				
Investment		600	-	600
Current assets				
Trade and other receivables	b	1,680	282	1,962
Short term investments	d	-	275	275
Cash and cash equivalents	d	2,668	(275)	2,393
		4,348	282	4,630
Total assets		4,948	282	5,230
Current liabilities				
Trade and other payables	a	(412)	(19)	(431)
Net current assets		3,936	263	4,199
Non current liabilities				
Bank loans		(1,280)	-	(1,280)
Total liabilities		(1,692)	(19)	(1,711)
Net assets		3,256	263	3,519
Equity				
Share capital		1,951	-	1,951
Share premium		9,634	-	9,634
Other reserves	b	-	307	307
Income statement	a & b	(8,329)	(44)	(8,373)
Total equity		3,256	263	3,519

Notes to the Financial Statements

for the Year Ended 30 September 2007

29 EXPLANATION OF THE TRANSITION TO IFRS (continued)

Reconciliation of the Group's balance sheet presentation at 30 September 2006

		UK GAAP £000's	IFRS effect £000's	IFRS £000's
Non current assets				
Property, plant and equipment		8,355	-	8,355
Intangible assets		160	-	160
		8,515	-	8,515
Current assets				
Inventories		595	-	595
Trade and other receivables	b	2,273	-	2,273
Short term investments	d	-	275	275
Cash and cash equivalents	d	3,215	(275)	2,940
		6,083	-	6,083
Total assets		14,598	-	14,598
Current liabilities				
Bank loans		(37)	-	(37)
Obligations under finance leases		(470)	-	(470)
Trade and other payables	a	(3,235)	(67)	(3,302)
		(3,742)	(67)	(3,809)
Net current assets		2,341	(67)	2,274
Non current liabilities				
Bank loans		(1,773)	-	(1,773)
Obligations under finance leases		(1,004)	-	(1,004)
		(2,777)	-	(2,777)
Total liabilities		(6,519)	(67)	(6,586)
Net assets		8,079	(67)	8,012
Equity				
Share capital		1,959	-	1,959
Share premium		9,634	-	9,634
Merger adjustment		29,729	-	29,729
Other reserves	b	(7)	428	421
Income statement	a & b	(33,236)	(495)	(33,731)
Total equity		8,079	(67)	8,012



Notes to the Financial Statements

for the Year Ended 30 September 2007

29 EXPLANATION OF THE TRANSITION TO IFRS (continued)

Reconciliation of the Company's balance sheet presentation at 30 September 2006

		UK GAAP £000's	IFRS effect £000's	IFRS £000's
Non current assets				
Investments		600	-	600
Current assets				
Trade and other receivables	b	2,032	394	2,426
Short term investments	d	-	275	275
Cash and cash equivalents	d	3,059	(275)	2,784
		5,091	394	5,485
Total assets		5,691	394	6,085
Current liabilities				
Bank loans		(37)	-	(37)
Trade and other payables	a	(556)	(23)	(579)
		(593)	(23)	(616)
Net current assets		4,498	371	4,869
Non current liabilities				
Bank loans		(1,773)	-	(1,773)
Total liabilities		(2,366)	(23)	(2,389)
Net assets		3,325	371	3,696
Equity				
Share capital		1,959	-	1,959
Share premium		9,634	-	9,634
Other reserves	b	(7)	428	421
Income statement	a & b	(8,261)	(57)	(8,318)
Total equity		3,325	371	3,696

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 10 April 2008 at 11.00am.

To transact the following business:

Ordinary Business

1. To receive the accounts for the year ended 30 September 2007 and the report of the Directors and the auditors thereon;
2. To re-appoint as a Director, Simon Saxby;
3. To re-elect as a Director, David Thatcher;
4. To re-elect as a Director, Nigel Slater; and
5. To re-appoint Deloitte & Touche 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 7 to the passing of resolution 6) pass the following resolutions which in the case of resolution 6 will be proposed as an ordinary resolution and in the case of resolution 7 will be proposed as a special resolution:

6. 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 £740,883 (representing 37.8% of the current issued ordinary share capital of the Company) 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, 10 July 2009) 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.
7. 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 £97,955;

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 10 July 2009), 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.

By order of the Board



Peter Coleman
Company Secretary

18 January 2008

Registered in England No.4442927

Registered office
Stephenson Building
Keele 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. An explanation of the special business is given in the Report of the Directors on page 10.
3. 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 8 April 2008 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.
4. 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.
5. Any alterations to this proxy must be initialled.
6. The register of Directors' interests in the Company's shares and copies of the Directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours from the date of the notice until the date of the notice until the date of the meeting and at the place of the meeting from fifteen minutes before the meeting until it closes.

Shareholder Information

Annual General Meeting: the Annual General Meeting will be held on 10 April 2008 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 44 and 45.

Company Web Site: the Company's website www.cobrabio.com provides information on the share price, products, activities and other financial information. It also includes 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 the registrars, 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.

Capita Share Dealing Services

A quick and easy share dealing service is available to either sell or buy more shares. An on-line and telephone dealing facility is available providing shareholders with an easy to access and simple to use service.

The table below provides you with details of the associated charges:

Type of trade	Online	Telephone
Share certificates	1% of the value of the deal (Minimum £17.50 max £50)	1.50% of the value of the deal (Minimum £22.50, max £100)
	All transactions incur a Compliance charge of £2.50	

There's no need to pre-register and there are no complicated forms to fill in. The on-line and telephone dealing service allows you to trade "real time" at a known price which will be given to you at the time you give your instruction. To deal on-line or by telephone all you need is your surname, shareholder reference number, full postcode and your date of birth. Your shareholder reference number can be found on your latest statement or Certificate where it will appear as either a 'folio number' or 'investor code'. Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on this service, or to buy and sell shares, please contact:

- www.capitadeal.com (on-line dealing)
- **0870 458 4577** (telephone dealing)



Directors, Registered Office and Advisors

Directors

Peter Fothergill	(Executive Chairman)
Simon Saxby	(Chief Operating Officer)
Peter Coleman	(Finance Director & Company Secretary)
Michael Gatenby	(Independent Non Executive Director)
David Oxlade	(Independent Non Executive Director)
Nigel Slater	(Independent Non Executive Director)
David Thatcher	(Non Executive Director)

Registered Office

Stephenson Building
Keele Science Park
Keele
Staffordshire ST5 5SP
+44 (0) 1782 714181

Registered in England No: 4442927

Auditors

Deloitte and Touche LLP
126-130 Hills Road
Cambridge CB2 1RY

Bankers

National Westminster Bank Plc
34 High Street
Nantwich
Cheshire CW5 5AZ
www.natwest.com/corporate

Registrars

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

Glossary of Terms

Biopharmaceuticals: medicines where the active principal cannot be chemically synthesised and comprise either, recombinant DNA, protein or virus.

Cell line: cells used as medicinal products.

Cobra: Cobra Biomanufacturing Plc and its wholly owned subsidiaries Cobra Biologics Limited, Cobra Oral Technology Limited, Cobra Biomanufacturing EBT Limited and Cobra Biomanufacturing LLC ("The Group").

DNA: Deoxyribonucleic Acid, a molecule that encodes genetic information. The DNA molecule consists of four bases (adenine, cytosine, guanine and thymine) and a sugar phosphate backbone, arranged in two connected strands to form a double helix.

cGMP: current 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).

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 Cobra's ORT® technology: strains of attenuated bacteria bearing high copy number plasmids for use as live vaccines.

MHRA: the UK's pharmaceutical regulator, the Medical and Healthcare products Regulatory Agency

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

Phase I clinical trials: the first stage of testing a drug product candidate in human subjects. Normally, a small group of between 20 to 80 healthy volunteers will be selected. This phase includes trials designed to assess the safety and tolerability of a drug product candidate. There are some circumstances when real patients are used and this occurs most often in cancer and HIV drug trials.

Phase II clinical trials: once the initial safety of the study drug has been confirmed in Phase I trials, Phase II trials are performed on larger groups of between 20 to 300 and are designed to assess how well the drug works, as well as to continue Phase I safety assessments in a larger group of volunteers and patients. When the development process for a new drug fails, this usually occurs during Phase II trials.

Phase III clinical trials: are randomized controlled multi centre trials on large patient groups between 300 and 3,000 (or more depending upon the disease/medical condition studied) and are aimed at being the definitive assessment of how effective the drug is, in comparison with current 'gold standard' treatment. Because of their size and comparatively long duration, Phase III trials are the most expensive, time-consuming and difficult trials to design and run, especially in therapies for chronic medical conditions.

Protein products/manufacturing services: medicines (or manufacturing services), 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/manufacturing services: medicines (or the manufacturing services) where the active ingredient is a recombinant virus engineered to deliver DNA encoding a therapeutic gene.

Vaccine: a preparation that contains an antigen, consisting of disease causing organisms that are used to create immunity against the disease that is caused by the organism.





Cobra Biomanufacturing Plc

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