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Dedicated to Contract Manufacturing



Cobra Biomanufacturing Plc

Interim Report 2008

for the half year ended 31 March 2008

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.

Chairman's and Chief Executive's Joint Statement

Financial Summary

The financial results for this first half year were disappointing, with revenue of £2.7m 50% lower than the same period last year (H1 2007: £5.3m), continuing the pattern experienced in the second half of last year. The fall in revenue resulted in a loss before tax of £2.4m (H1 2007: £0.1m profit) and an operating cash outflow of £0.5m (H1 2007: £0.7m inflow). The operating cash outflow of £0.5m (H1 2007: £0.7m inflow) was supported by an increase in the deferred income balance to £1.7m (30 September 2007: £0.5m), however with capital commitments of £0.4m (H1 2007: £0.5m) cash at bank fell to £0.4m (30 September 2007: £1.3m).

Revenue

The fall in revenue was primarily due to a significant reduction in revenue from our North American customers, who contributed £1.4m in the period (H1 2007: £4.1m) or 51% of the total (H1 2007: 77%). Revenue from Europe including the UK increased to £1.2m (H1 2007: £1.1m) to provide 45% of the total (H1 2007: 20%), and the Rest of World provided £0.1m (H1 2007: £0.1m). Revenue from the Group's three main product service types all contributed in the period, with protein revenue at £1.0m or 39% of the total (H1 2007: £3.0m), virus revenue at £0.8m or 30% of the total (H1 2007: £1.6m) and DNA also £0.8m or 28% of the total (H1 2007: £0.6m). Cell line services contributed the remaining £0.1m (H1 2007: £0.2m).

Order Book

The disappointing revenue performance over the last two reporting periods is a result of a number of cancelled, deferred or delayed contracts primarily from our North American customer base and in both protein and virus product types, which we have not been able to replace in the short term. However the sales team has maintained the Group's contracted order book to a record £8.3m (June 2007: £4.2m), however less than half, or £3.6m is

deliverable in the second half of the current financial year.

The contracted order book includes a large virus contract worth \$9.5m over the next two financial years. The Group has been seeking to win this type of contract in order to achieve greater year on year consistency in its performance. This also reflects our globally competitive position in the niche virus market and demonstrates that the business has now reached a level of maturity and market recognition.

Fund Raising

It became apparent in March 2008 that due to contract signature delays which would have provided the Group with up front cash deposits, and the subsequent fall in revenue, there was an urgent requirement for funding. This was despite implementing cost control measures including a headcount reduction at the beginning of the financial year. Given the urgency, complexity and cost of a rights issue or open offer, the Directors decided that a placing with existing large shareholders was the most appropriate way to raise further funds.

The placing details were announced to the London Stock Exchange on 7 May 2008 together with the placing price of 5 pence per share, which was itself a pragmatic conclusion to a difficult financial situation. The successful completion of the placing also required Cobra to apply to the Panel of Takeovers and Mergers for a Waiver of Obligations under Rule 9 of the City Code which would allow Mr and Mrs Dixon, our largest shareholders with 27.9% of the share capital, to purchase 14 million shares in the placing, increasing their ownership to 43.9% of the Company's issued share capital. The Rule 9 Waiver was approved, thereby allowing the Dixon's to increase their shareholding without the requirement to make a general offer to the remaining shareholders.

The placing was approved by shareholders at a Extraordinary General Meeting held on 30 May 2008 and raised £1.2m (before expenses) to provide working capital for the Group until the



order book becomes cash generative and funding for capital investment in our Oxford facility to enable it to become a 'centre of excellence' with the potential for commercial virus production.

The Directors would like to take this opportunity to thank both our major institutional and private investors for their participation in the placing and also to thank those investors who were not able to participate due to the constraints of both time and cost, for their continued support during this difficult period.

Restructuring and Strategy

In January 2008 the Group announced the appointment of Simon Saxby as Chief Operating Officer. Since then Simon has been applying his wide ranging international commercial experience in the biotherapeutics contract manufacturing sector to the challenges facing the Group, with initiatives such as:

1. A greater marketing emphasis on the Group's ability to provide mammalian cell secreted protein manufacturing services, which is a significant part of the \$2.4bn* biopharmaceutical contract manufacturing market;
2. Conducting a feasibility study into adopting disposable manufacturing technologies at the Keele facility, which will increase the Group's ability to win larger more predictable protein contracts and reduce direct manufacturing overheads;
3. Initiating multi tasking and cross training throughout all scientific disciplines, to create greater flexibility; and
4. Challenge all employees to increase efficiency and productivity.

These initiatives are now beginning to gain momentum and accordingly, the Group was pleased to announce at the date of the EGM the appointment of Simon as Chief Executive and at the same time Peter Fothergill stepped down as Executive Chairman to become Non Executive Chairman. These changes will result in a smaller

Executive team which together with the management changes announced earlier this year will progressively reduce the Group's administrative cost base.

ORT-VAC

During the period the Group continued to progress its oral vaccine programme which is under development through third party collaborations and news flow from this is expected to feature in the second half of the calendar year. This work is under the direction of Dr David Thatcher our former Chief Executive who is acting as both a consultant and Non Executive Director to the Group.

Outlook

The last twelve months have been an extremely testing time as revenues declined, cash flowed out of the Group and the share price eroded. However, our costs are under tight control and the £1.2m fund raising (before expenses) provides a bridge to a recovery of the business during the coming months.

The market for the Group's services remains very challenging, which is in part due to the worldwide credit crisis, but our efforts are focused on well funded customers with promising development pipelines, always bearing in mind the nature of the worldwide biotechnology market. The outsourcing trend adopted by the life science industry is continuing, as is the development of biotherapeutic drugs, and the initiatives described above have been implemented to enable the Group to increase its share of this market.



Peter Fothergill
Chairman
26 June 2008



Simon Saxby
Chief Executive
26 June 2008

*Fierce Pharma 12 May 2008

Financial Review

Basis of Preparation

The Group's financial information for the half year to 31 March 2008 has been prepared in accordance with International Financial Reporting Standards (IFRS).

Income Statement

Revenue for the period fell to £2.7m 50% lower than the same period last year (H1 2007: £5.3m), which resulted in a decline in gross margins to 20% (H1 2007: 52%) as the Group was unable to cover its direct manufacturing overheads with sufficient revenue, a high proportion of which are fixed and essential to maintain our cGMP and quality standards. Research and development expenditure increased in the period to £0.4m (H1 2007: £0.1m), as we utilised spare capacity on initiatives such as the development of disposable manufacturing systems, but other operating expenditure excluding share based payments, which includes depreciation, sales and marketing and facility costs and central overheads fell to £2.4m (H1 2007: £2.5m), as costs were held under control. This resulted in a loss before tax of £2.4m (H1 2007: £0.1m profit).

Balance Sheet

Cobra invested a further £0.4m in plant and equipment in the period (H1 2007: £0.5m), all of which was essential to support customer contracts. The deferred income balance increased in the period to £1.7m (30 September 2007: £0.5m), reflecting the value of deposits we have received on the increased order book. Cash at bank fell to £0.4m (30 September 2007: £1.3m). Non current liabilities also fell in the period to £2.6m (30 September 2007: £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 (30 September 2007: £1.9m) repayable over a 13 year period which

commenced in November 2007 and finance lease obligations of £0.8m (30 September 2007: £0.9m) repayable between 2 and 5 years.

Cash Flow

Operating cash outflow for the period was £0.5m (H1 2007: £0.7m inflow), which in addition to capital commitments of £0.4m (H1 2007: £0.5m), the reduction in short term deposits of £0.3m (H1 2007: nil) and a financing outflow of £0.3m (H1 2007: £0.1m outflow), resulted in a closing cash and cash equivalents figure at 31 March 2008 of £0.4m (30 September 2007: £1.3m).

Fund Raising

Despite the £8.3m order book additional funding via a placing of £1.2m (before expenses) was required for working capital as over 50% of the order book is scheduled for delivery in the next financial year and capital investment primarily to modify the Oxford facility to meet FDA requirements for commercial virus production.

The Extraordinary General Meeting was held on 30 May 2008 and all the resolutions were passed, which included a capital reorganisation (see details on page 5), changes to the Group's Articles of Association, the approval of both the Rule 9 Waiver approval and the £1.2m share placing itself.

Going Concern

The disclosures in note 1 of the financial statements on page 10 highlight that due to the difficulties in accurately forecasting the timings of contract signatures and the subsequent cash receipts, there is a material uncertainty over the Group's ability to continue as a going concern. The Directors have reviewed the current secured order book, the priority leads and expenditure forecasts, together with other means of managing cash outflows including identifying possible costs savings to enable the Group to operate within its available resources and have assumed that there will be sufficient funds to enable the Group to continue as a going concern for the foreseeable future.



Capital Reorganisation

In order to proceed with the placing it was necessary to restructure the Company's share capital, as the nominal value of the existing ordinary shares was 10 pence, above the 5 pence placing price, which is not permitted. Therefore the Group split the existing 10 pence ordinary shares into nine 1 pence deferred shares and one new 1 pence ordinary share. The new deferred shares have no rights attached to them, and the effect of the reorganisation is that shareholders keep the same number of ordinary shares but at the lower 1 pence nominal value with identical rights.



Peter Coleman
Finance Director & Company Secretary
26 June 2008

Group Income Statement

For the half year ended 31 March 2008

	Notes	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Revenue	3	2,699	5,349	9,194
Cost of sales		(2,164)	(2,590)	(5,329)
Gross profit		535	2,759	3,865
Research and development		(387)	(140)	(606)
Operating expenses (exc. share based payments and reorganisation costs)		(2,392)	(2,504)	(4,972)
Share based payments		(9)	(18)	(32)
Reorganisation costs		-	-	(90)
Total operating expenses		(2,401)	(2,522)	(5,094)
Operating (loss)/profit		(2,253)	97	(1,835)
Finance income	4	10	73	101
Finance costs	4	(144)	(73)	(151)
(Loss)/profit before tax		(2,387)	97	(1,885)
Taxation	5	40	20	110
(Loss)/profit for the period		(2,347)	117	(1,775)
(Loss)/earnings per share				
Basic	9	(12.0)p	0.6p	(9.1)p
Diluted	9	(12.0)p	0.6p	(9.1)p

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



Group Balance Sheet

As at 31 March 2008

	Notes	Unaudited 31 March 2008 £000's	Unaudited 31 March 2007 £000's	30 September 2007 £000's
Non current assets				
Property, plant and equipment		8,375	8,360	8,504
Intangible assets		134	151	143
		8,509	8,511	8,647
Current assets				
Inventories		461	739	382
Trade and other receivables	6	1,717	2,050	1,456
Short term investments		-	275	275
Cash and cash equivalents		401	3,059	1,338
		2,579	6,123	3,451
Total assets		11,088	14,634	12,098
Current liabilities				
Bank loans and overdrafts		(132)	(41)	(194)
Obligations under finance leases		(693)	(523)	(639)
Trade and other payables	7	(2,009)	(1,705)	(1,674)
Deferred income		(1,681)	(1,535)	(516)
		(4,515)	(3,804)	(3,023)
Net current (liabilities)/assets		(1,936)	2,319	428
Non current liabilities				
Bank loans		(1,851)	(1,756)	(1,916)
Obligations under finance leases		(791)	(927)	(890)
		(2,642)	(2,683)	(2,806)
Total liabilities		(7,157)	(6,487)	(5,829)
Net assets		3,931	8,147	6,269
Capital and reserves				
Called up share capital		1,959	1,959	1,959
Share premium		9,634	9,634	9,634
Merger reserve		29,729	29,729	29,729
Other reserves		462	439	453
Profit and loss reserve		(37,853)	(33,614)	(35,506)
Total equity		3,931	8,147	6,269

Group Cash Flow Statement

For the half year ended 31 March 2008

	Notes	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Net cash (outflow)/inflow from operating activities	8	(516)	655	(871)
Investing activities				
Finance income		10	100	63
Payments to acquire property, plant and equipment		(403)	(535)	(1,069)
Payments to acquire intangible assets		-	(4)	(4)
Decrease in short term deposits		275	-	-
Net cash outflow from investing activities		(118)	(439)	(1,010)
Financing activities				
New borrowings		-	-	487
Repayment of borrowings		(47)	-	(253)
Lease finance acquired via sale and leaseback		293	217	558
Repayment of capital elements of finance leases		(338)	(241)	(502)
(Decrease)/increase in overdraft		(80)	-	80
Interest on bank loans		(79)	(22)	(45)
Interest element of finance leases		(59)	(51)	(106)
Net cash (outflow)/inflow from financing activities		(310)	(97)	219
(Decrease)/increase in cash and cash equivalents		(944)	119	(1,662)
Opening cash and cash equivalents		1,338	2,940	2,940
Effect of foreign exchange gains		7	-	60
Closing cash and cash equivalents		401	3,059	1,338



Group Statement of Changes in Equity

As at 31 March 2008

	Share capital £000's	Share premium £000's	Merger reserve £000's	Other reserves £000's	Profit and loss reserve £000's	Total £000's
At 1 October 2006	1,959	9,634	29,729	421	(33,731)	8,012
Share based payments	-	-	-	18	-	18
Profit for the period	-	-	-	-	117	117
At 31 March 2007	1,959	9,634	29,729	439	(33,614)	8,147
Share based payment	-	-	-	14	-	14
Loss for the period	-	-	-	-	(1,892)	(1,892)
At 30 September 2007	1,959	9,634	29,729	453	(35,506)	6,269
Share based payments	-	-	-	9	-	9
Loss for the period	-	-	-	-	(2,347)	(2,347)
At 31 March 2008	1,959	9,634	29,729	462	(37,853)	3,931

Notes to the Unaudited Results

1 Significant accounting policies

The Group's financial information has been prepared in accordance with IFRS as adopted by the European Union (EU) and implemented in the UK.

The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 but has been reviewed by the auditors in accordance with ISRE 2410 issued by the Auditing Practices Board.

Accounting policies: The principal accounting policies adopted in the preparation of this interim financial information is set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Going concern: Cobra's principal activity is that of delivering contract manufacturing services for the global biopharmaceutical industry, which incurred a loss before tax of £2.4m for the half year to 31 March 2008. The Group's Directors have prepared a detailed projected cash flow for the period ending 15 months from the date of these interim accounts. However, current market conditions provide additional uncertainty in accurately forecasting the timing of contract signatures for contract manufacturing services, which provide the Group with both up front cash deposits and an incremental revenue stream to the already secured order book. Therefore this indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and as a result it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have assumed that the current secured order book and priority leads and expenditure forecasts, together with other means of managing cash outflows including identifying possible cost savings, enables the Group to operate within its available resources. It is on this basis that the Directors consider it appropriate to prepare the Group's accounts on the going concern basis. The accounts do not include any adjustments which may be necessary if the Group were unable to continue to operate.

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 information comprises the accounts of Cobra Biomanufacturing Plc and its subsidiary undertakings (the Group), Cobra Biologics Limited, Cobra Oral Technology Limited, Cobra Biomanufacturing EBT Limited and Cobra Biomanufacturing LLC up to 31 March 2008.

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 are amortised over their estimated useful economic lives from the time they are available for use until the end of their patent lives, which in the case of our capitalised patents is 10 years.

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.

Impairment: The carrying value of property, plant and equipment and intangibles with finite lives are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If any such indications exist, the recoverable value of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs.

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 period. 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.

Notes to the Unaudited Results (continued)

1 Significant accounting policies (continued)

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: Amounts received from government grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement 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.

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 the income statement on a straight line basis over the lease term.

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, which were unvested 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 by use of the black scholes model 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.

Financial assets and liabilities: Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are all classified as "loans and receivables". Financial liabilities are all classified as "other financial liabilities".

Loans and receivables: Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables, when the recognition of interest is immaterial.

Other financial liabilities: Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest basis is a method of calculating the amortised cost of a financial liability, and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial liability.

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 derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements including foreign exchange forward contracts, interest rate swaps and foreign currency options. The Group does not currently hedge account, nor does it hold or issue derivative financial instruments for speculative purposes. The criteria for foreign exchange forward 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.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately.

Notes to the Unaudited Results (continued)

1 Significant accounting policies (continued)

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

2 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 1, 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 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 the Directors 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.

3 Revenue

All revenue is generated from continuing operations originating in the UK and the analysis of which is as follows:

	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Sale of services	2,635	5,317	9,099
Licence revenue	64	32	95
	2,699	5,349	9,194



The geographical analysis of revenue by destination is shown as follows:

	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
North America	1,369	4,145	5,985
United Kingdom	398	-	212
Europe (excluding United Kingdom)	807	1,076	2,834
Rest of the World	125	128	163
	2,699	5,349	9,194

The analysis of revenue by customers' biopharmaceutical product type is as follows:

	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Protein	1,041	2,996	4,288
Virus	814	1,632	2,802
DNA	752	551	1,817
Cell line	92	170	287
	2,699	5,349	9,194

4 Finance income and costs

	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Finance income			
Bank interest receivable	10	40	63
Exchange rate gains	-	33	38
	10	73	101
Finance costs			
Interest payable bank loans	79	22	45
Interest payable on finance leases	59	51	106
Exchange rate losses	6	-	-
	144	73	151

Notes to the Unaudited Results (continued)

5 Taxation

The Group is entitled to Research and Development tax relief under Schedule 20 of the Finance Act 2000, in respect of the periods ended 31 March 2007 and 2008 and the year ended 30 September 2007.

As at 31 March 2008 the Group had tax losses of £16.0m, these losses are available for offset against future profits, subject to agreement from HM Revenue and Customs. These losses have not been recognised as a deferred tax asset as there is insufficient certainty as to their future recoverability.

	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Taxation on (loss)/profit on ordinary activities			
Tax credit in relation to R&D claim	(32)	(10)	(100)
Adjustments in respect of previous periods	(8)	(10)	(10)
Total current tax	(40)	(20)	(110)

6 Trade and other receivables

	Unaudited 6 months 31 March 2008 £000's	Unaudited 6 months 31 March 2007 £000's	Year ended 30 September 2007 £000's
Trade receivables	1,231	1,422	790
Other receivables	203	289	292
Prepayments	283	339	374
	1,717	2,050	1,456



7 Trade and other payables

	Unaudited 6 months 31 March 2008 £000's	Unaudited 6 months 31 March 2007 £000's	Year ended 30 September 2007 £000's
Trade payables	1,352	994	1,085
Taxation	244	127	125
Accruals and other provisions	413	584	464
	2,009	1,705	1,674

8 Net cash (outflow)/inflow from operating activities

	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
Operating (loss)/profit	(2,253)	97	(1,835)
Depreciation of property, plant and equipment	452	408	850
Amortisation of intangible assets	9	9	17
Share based payments	9	18	32
(Increase)/decrease in inventories	(83)	(144)	213
(Increase)/decrease in receivables	(214)	119	812
Increase/(decrease) in deferred income	1,165	340	(679)
Increase/(decrease) in other payables	399	(257)	(346)
Net cash (outflow)/inflow	(516)	590	(936)
R&D tax credit	-	65	65
Net cash (outflow)/inflow from operating activities	(516)	655	(871)

Notes to the Unaudited Results (continued)

9 (Loss)/earnings per ordinary share

	Unaudited 6 months ended 31 March 2008 £000's	Unaudited 6 months ended 31 March 2007 £000's	Year ended 30 September 2007 £000's
(Loss)/profit for the period	(2,347)	117	(1,775)
Basic (loss)/earnings per share			
Weighted average number of shares (000's)	19,591	19,591	19,591
(Loss)/earnings per share (pence)	(12.0)	0.6	(9.1)
Diluted (loss)/earnings per share			
Weighted average number of shares (000's)	19,591	19,980	19,591
(Loss)/earnings per share (pence)	(12.0)	0.6	(9.1)

10 Events after the balance sheet date

On 30 May 2008 an Extraordinary General Meeting was held in which shareholders approved the issue of 27,748,000 new ordinary shares at a placing price of 5 pence per ordinary share. To enable the issue of shares at 5 pence per ordinary share a resolution to reorganise the capital of the Company was passed which split the current 10 pence shares into nine 1 pence deferred shares and one 1 pence ordinary share.



Independent Review Report to Cobra Biomanufacturing Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2008, which comprises the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes 1 to 10. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2008 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Independent Review Report to Cobra Biomanufacturing Plc (continued)

Emphasis of Matter

In arriving at our review conclusion, we draw attention to the disclosures made in note 1 of the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of £2.4m during the period ended 31 March 2008. This, along with other matters as set forth in note 1 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim report does not include the adjustments that would result if the Group was unable to continue as a going concern as it is not practicable to determine or quantify them.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
26 June 2008

Shareholder Information

Share Price Information: The Company's share price is available from the website of Cobra Biomanufacturing Plc www.cobrabio.com.

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

Shareholder Enquiries: Any queries regarding individual shareholdings, transfers etc, should be directed to Capita Registrars. Shareholders wishing to consolidate two or more individual certificates may do so by writing to 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.



Glossary of Terms

Biopharmaceuticals/Biotherapeuption: 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 Biomanufacturing EBT Limited, Cobra Oral Technology Limited and Cobra Biomanufacturing LLC ("The Group").

Disposable manufacturing technologies: Equipment used in a biomanufacturing campaign that is disposed of at the end of the campaign and therefore not reused or cleaned for the next campaign, reducing the time and cleaning cost between each campaign.

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 (the MHRA).

Mammalian cell secreted protein products/manufacturing services: Medicines (or manufacturing services) where mammalian cells naturally secrete the target protein, without the requirement for an additional recovery step to break into the cells to recover the target protein.

Microbial recombinant protein products/manufacturing services: Medicine (or manufacturing services), usually produced in a strain of E-Coli which accumulates inside the cell, thus requiring a further recovery process step. This usually requires fixed equipment rather than disposable technology, which requires cleaning between each campaign.

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.

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.

Protein products/manufacturing services: Medicines (or manufacturing services), where the active ingredient is protein.

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:bio

Expertise
Experience
Excellence



Cobra Biomanufacturing Plc

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