THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended ("FSMA").

If you sell or have sold or otherwise transferred all of your Ordinary Shares in Cobra Biomanufacturing Plc you should deliver this document together with the enclosed Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Application will be made for Placing Shares to be admitted to trading on the AIM market of the London Stock Exchange Plc ("AIM"). It is expected that admission to AIM will become effective and that dealings in the Placing Shares will commence on 5 June 2008. AIM is a market designed primarily for emerging and smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consulting with an independent financial adviser. The London Stock Exchange Plc has not itself examined or approved the contents of this document.

Cobra Biomanufacturing Plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 4442927)

Proposed Capital Reorganisation and Placing of 24,748,000 New Ordinary Shares at 5 pence per share

Proposed Approval for Waiver of Obligation under Rule 9 of the City Code on Takeovers and Mergers

and

Notice of Extraordinary General Meeting

This document does not constitute an offer of securities and accordingly is not a prospectus, neither does it constitute an admission document drawn up in accordance with the AIM Rules.

Notice of an Extraordinary General Meeting of Cobra Biomanufacturing Plc to be held at Seymour Pierce Limited, 20 Old Bailey, London, EC4M 7EN on 30 May 2008 at 11.00 a.m is set out at the end of this document. Whether or not you intend to be present at the EGM you are urged to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event not later than 11.00 a.m on 28 May 2008 (or 48 hours before any adjournment of the EGM).

The Placing Shares have not been, and will not be, registered under the United States Securities Act 1933 (as amended) or under the securities laws of any state of the United States. The Placing Shares may not directly or indirectly, be offered, sold or taken up, delivered or transferred in or into the United States, Canada, Australia, the Republic of Ireland or Japan.

Seymour Pierce Limited ("Seymour Pierce"), which is authorised and regulated in the United Kingdom by the Financial Service Authority, is acting for Cobra Biomanufacturing Plc and for no one else in connection with the proposals described in this document and will not be responsible to anyone other than Cobra Biomanufacturing Plc for providing the protections afforded to customers of Seymour Pierce nor for giving advice to any other person on the contents of this document or in relation to such proposals generally. No liability is accepted by Seymour Pierce for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document for which the Directors of Cobra Biomanufacturing Plc are solely responsible. Seymour Pierce has not authorised the contents, or any part, of this document.

CONTENTS

DIRECTORS, OFFICERS AND ADVISERS

Directors:	Peter Fothergill (*Chairman*) Simon Saxby (*Chief Operating Officer*) Peter Coleman (*Finance Director*) Michael Gatenby (*Independent Non-Executive Director*) David Oxlade (*Independent Non-Executive Director*) Nigel Slater (*Independent Non-Executive Director*) David Thatcher (*Non-Executive Director*)
Company Secretary:	Peter Coleman
Registered Office:	Stephenson Building Keele Science Park Keele Staffordshire ST5 5SP
Nominated Adviser Broker:	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Solicitors to the Company:	Eversheds LLP Eversheds House 70 Great Bridgewater Street Manchester M1 5ES
Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Last time and date of receipt for Forms of Proxy	11.00 a.m. on 28 May 2008
Extraordinary General Meeting	11.00 a.m. on 30 May 2008
Completion of the Placing	8.00 a.m. on 5 June 2008
Crediting of CREST accounts with Placing Shares	6 June 2008
Definitive share certificates dispatched in respect of the Placing Shares	19 June 2008

PLACING STATISTICS

Placing Price	5 pence
Number of Existing Ordinary Shares in issue on the date of this document	19,591,170
Number of Placing Shares	24,748,000
Estimated number of New Ordinary Shares in issue immediately following the Placing	44,339,170
Percentage of the Enlarged Share Capital subject to the Placing	55.8 per cent.
Gross proceeds of the Placing receivable by the Company	£1,162,400
Estimated net proceeds receivable by the Company pursuant to the Placing after expenses (excluding VAT)	£1,050,000
International Security Identification Number (ISIN)	GB0031704835

DEFINITIONS

"Act"	the Companies Act 1985 (as amended);
"Admission"	Admission of the Placing Shares, to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
"AIM"	the AIM market of the London Stock Exchange Plc;
"AIM Rules"	the rules applicable to companies whose securities are traded on AIM published by the London Stock Exchange;
"Articles"	the articles of association of the Company;
"CA 2006"	Companies Act 2006;
"Capita Registrars"	a trading division of Capita Registrars Limited;
"Code" or "Takeover Code"	the City Code on Takeovers and Mergers;
"Concert Party"	Mark Dixon and Diana Dixon;
"Company" or "Cobra"	Cobra Biomanufacturing Plc;
"Completion"	completion of the Placing Agreement in accordance with its terms;
"Deferred Shares"	deferred shares of 1 pence each in the capital of the Company to be created pursuant to the Reorganisation;
"Directors" or "Board"	the directors of the Company, whose names are set out on page 3 of this document;
"DTR"	the FSA's Disclosure and Transparency Rules;
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company convened for 11.00 a.m. on 30 May 2008, or any reconvened meeting following any adjournment thereof, notice of which is set out in the Notice of EGM;
"Enlarged Share Capital"	the number of New Ordinary Shares in issue following completion of the Placing;
"Existing Ordinary Shares"	the Ordinary Shares in issue at the date of this document;
"Form of Proxy"	the form of proxy for use by Shareholders at the EGM;
"FSA"	the Financial Services Authority;
"FSMA"	the Financial Services and Markets Act 2000, as amended;
"Group"	the Company and its subsidiaries;
"Inducement Fee"	the fee payable to Mark Dixon, as described in Part V paragraph 8.2;
"London Stock Exchange"	London Stock Exchange Plc;
"New Ordinary Shares"	the new ordinary shares of nominal value 1 pence each in the capital of the Company to be created pursuant to the Reorganisation;
"Notice of EGM"	the notice of the EGM which is set out at the end of this document;

"Ordinary Shares"	ordinary shares of nominal value 10 pence each in the capital of the Company;
"Panel"	the Panel on Takeovers and Mergers;
"Placing"	the conditional placing of the Placing Shares at the Placing Price, further details of which are set out in of Part I of this document;
"Placing Agreement"	the placing agreement between the Company and Seymour Pierce described in paragraph 5.2 of Part V of this document;
"Placing Price"	5 pence per Placing Share;
"Placing Shares"	the 24,748,000 new Ordinary Shares which have been conditionally placed pursuant to the Placing;
"Proposals"	the Placing and the Rule 9 Waiver;
"Reorganisation"	the proposed reorganisation of the share capital of the Company, as set out in Resolution 2 of the EGM;
"Resolutions"	the ordinary and special resolutions set out in the Notice of EGM;
"Rule 9 Waiver"	a waiver (further details of which are set out in Part I of this document) of the obligation on the Concert Party to make a mandatory offer under Rule 9 of the Takeover Code granted by the Panel conditional on the approval of Shareholders by the passing of the Waiver Resolution;
"Seymour Pierce"	Seymour Pierce Limited, the Company's nominated adviser and broker;
"Shareholders"	holders of Existing Ordinary Shares;
"UKLA"	the FSA acting in its capacity as the competent authority for the purposes of FSMA;
"Waiver Resolution"	resolution 4 set out in the Notice of EGM, which is to be proposed as an ordinary resolution.

PART I

Letter from the Chairman
Cobra Biomanufacturing Plc

(*Incorporated in England and Wales with registered number 4442927*)

Directors:
Peter Fothergill (*Chairman*)
Simon Saxby (*Chief Operating Officer*)
Peter Coleman (*Finance Director*)
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

6 May 2008

To Shareholders and, for information only, to option holders

Dear Shareholder,

Introduction

On 6 May 2008 the Company announced that it had conditionally raised approximately £1.2 million (before expenses) by means of a placing of 24,748,000 New Ordinary Shares at the price of 5 pence each (in the Placing).

The purpose of this letter is to seek Shareholder approval:-

- to adopt new articles of association of the Company;
- to reorganise the share capital of the Company;
- to authorise the Directors to issue and allot New Ordinary Shares for the purpose of the Placing;
- of the waiver by the Panel of any requirement under Rule 9 of the Code for the Concert Party to make a general offer to Shareholders;
- to authorise the Directors to allot New Ordinary Shares both generally and otherwise than on a pre-emptive basis following the EGM.

Notice of the EGM which will be held at 11.00 a.m. on 30 May 2008 is set out at the end of this document.

Background

The Company currently has a record secured contracted order book of £7.5 million (April 2007: £4.0 million) in addition to £2.7 million revenue generated in the first half of the financial year to 31 March 2008 (H1 2007: £5.3 million). The secured contracted order book includes a $9.5m two year virus based contract (see Part V, paragraph 5.1 “Service Contracts” for further details). However a significant proportion of this order book is scheduled for the next financial year, which has resulted in a funding requirement to support the business as it regains momentum from the extremely difficult trading period encountered over the second half of the previous financial year and has continued in the first half of this current financial year. The funding is required for both short term working capital and capital investment primarily to modify the Oxford facility to meet FDA requirements for commercial virus production.

The Directors believe it is imperative to raise approximately £1.2 million (before expenses) as a matter of urgency, as the Company endeavours to achieve sufficient revenue to become cash generative and also to give the Directors time to diversify and strengthen the Company’s service offering. In the absence of this being achieved within the next few months the Company will have to seek further sources of funding.

The Directors also believe that if the Placing funds were not raised the Company would then be faced with serious financial difficulties.

In order to proceed with the Placing, it is necessary to restructure the Company's share capital. The nominal value of the Existing Ordinary Shares is ten pence. The Placing Price of the Placing Shares is five pence. The Company is not permitted to issue shares at a subscription price which is beneath the nominal value of such shares and hence the requirement to conduct a restructuring of the share capital.

It is proposed that each Existing Ordinary Share will be subdivided and reclassified into one New Ordinary Share of one pence each and nine Deferred Shares of one penny each. The rights attaching to the New Ordinary Shares will be identical in all respects to those of the Existing Ordinary Shares.

The Deferred Shares created on the Reorganisation becoming effective will have no voting or dividend rights and, on a return of capital, the right only to receive the amount paid up thereon after the holders of New Ordinary Shares have received the aggregate amount paid up thereon plus £10,000 per New Ordinary Share. They will, in effect, be valueless.

No share certificates will be issued in respect of the Deferred Shares, nor will CREST accounts of Shareholders be credited in respect of any entitlement to Deferred Shares. No application will be made for the Deferred Shares to be admitted to trading on AIM or any other investment exchange. It is the Board's intention, at the appropriate time, to cancel the Deferred Shares.

The effect of the Reorganisation will mean that each New Ordinary Share held by Shareholders will have a nominal value of one penny each and the number of shares held by Shareholders shall remain the same.

Of the £1.2 million Placing, £0.7 million is being cash subscribed by Mr Mark Dixon on behalf of his wife Mrs Diana Dixon (together the Concert Party) for fourteen million New Ordinary Shares which will increase her shareholding from 27.8 per cent. to 43.87 per cent. the consequences of which under the Takeover Code are set out on page 9 in the paragraph entitled "The Takeover Code and the Waiver Resolution (Resolution 4)". Further information on the Concert Party and their intentions are set out in Part IV and paragraph 9 Part V of this document.

Following the Placing, it is proposed that I, Peter Fothergill will become Non Executive Chairman and Simon Saxby will become Chief Executive.

The Extraordinary General Meeting

Set out at the end of this document is a notice convening an Extraordinary General Meeting of the Company to be held at Seymour Pierce Limited, 20 Old Bailey, London, EC4M 7EN at 11.00 a.m. on 30 May 2008. At this meeting the following resolutions will be proposed:

Resolution 1

A special resolution to adopt new articles of association setting out the rights attaching to New Ordinary Shares and Deferred Shares.

Resolution 2

A special resolution to approve the restructuring of the Company's share capital.

Resolution 3

An ordinary resolution to authorise the Directors to allot new Ordinary Shares pursuant to the Placing and otherwise up to an aggregate nominal amount of £147,797.

Resolution 4

An ordinary resolution to approve the waiver by the Panel of any requirement under Rule 9 of the Code for the Concert Party to make a general offer to Shareholders as a result of the Concert Party participating in the Placing.

Resolution 5

A special resolution to grant the Directors authority to allot equity securities for cash pursuant to the authority conferred on them by Resolution 3 as if section 89(1) of the Act did not apply to such allotment provided that such power shall be limited to the allotment of the Placing Shares, the issue of New Ordinary Shares in connection with rights issues or similar issues and otherwise up to an aggregate nominal amount of £44,339.

The Takeover Code and the Waiver Resolution (Resolution 4)

Under Rule 9 of the Takeover Code, any person who acquires an interest in shares (as defined in the Takeover Code) which, taken together with any interest in shares already held by him or any interest in shares held or acquired by persons acting in concert with him, carries 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, when any person or persons acting in concert are already interested in shares which in aggregate carry not less than 30 per cent. but who do not hold more than 50 per cent. of the voting rights of such a company, a general offer will normally be required if any further interest in voting shares is acquired.

An offer under Rule 9 must be in cash and at the highest price paid for any interest in shares by that person or any person acting in concert with him within the 12 months prior to the announcement of the offer.

Following the Placing, members of the Concert Party would have an interest in 43.87 per cent. of the issued ordinary share capital of the Company on Admission. The Concert Party's current and proposed interests in the ordinary share capital of the Company are therefore as follows:

Member of Concert Party	*Number of Ordinary Shares currently held*	*per cent. of Existing Ordinary Shares held*	*Number of New Ordinary Shares held following the Placing*	*per cent. holding of Enlarged Share Capital following the Placing*
Diana Dixon	5,450,000	27.8	19,450,000	43.87

The Panel has agreed, subject to the Waiver Resolution being passed on a poll by Shareholders at the Extraordinary General Meeting, to waive the obligation to make a general offer that would otherwise arise due to the increase to the shareholding of the Concert Party which would result from the Concert Party participating in the Placing. Accordingly, Resolution 4 is being proposed at the Extraordinary General Meeting to obtain the approval of Shareholders for the waiver by the Panel of any obligations of the Concert Party under Rule 9 of the Takeover Code by virtue of the Concert Party participating in the Placing. Members of the Concert Party will not be allowed to vote on the Waiver Resolution.

Further details of the Concert Party are set out in of Part IV of this document.

Action to be taken by Shareholders

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. The Form of Proxy should be completed and returned in accordance with the instructions printed thereon so as to arrive at the Company's Registrar, Capita Registrars, PO Box 25, Beckenham, Kent as soon as possible and in any event not later than 11.00 a.m. on 28 May 2008. Completion and return of a Form of Proxy will not prevent Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.

Admission, Settlement and CREST

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Placing Shares will commence on 5 June 2008.

The Articles permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. Application has been made for the Placing Shares to be admitted to CREST.

CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so.

Certificates in respect of the Placing Shares are expected to be dispatched by the Company's Registrars no later than 19 June 2008. The Placing Shares due to uncertificated holders will be delivered in CREST on 6 June 2008.

Recommendations

The Directors believe that given the Company's current serious financial difficulties the Proposals are in the best interests of the Company and its Shareholders as a whole and recommend you to vote in favour of all of the Resolutions, as they intend to do in respect of their own beneficial holdings of Ordinary Shares amounting in aggregate to 191,500 Ordinary Shares, representing approximately 0.98 per cent. of the Existing Ordinary Shares.

Waiver Resolution and the Inducement Fee

The Directors, who have been so advised by Seymour Pierce, believe that both obtaining the Rule 9 waiver and the level of the Inducement Fee are in the best interests of Shareholders as a whole. In providing advice to the Directors, Seymour Pierce has taken into account the Directors' commercial assessments.

Yours faithfully,

Peter Fothergill
Chairman

PART II

Summary information on Cobra Biomanufacturing Plc

1. Overview

Cobra Biomanufacturing Plc is an AIM listed organisation, with 121 employees, operating from two UK based manufacturing facilities, one located in Keele, Staffordshire and the other in Cowley, Oxfordshire, with its head office also located in Keele, Staffordshire.

2. Products and Services

Cobra is an international provider of biomanufacturing services to the global biopharmaceutical market. The vast majority of the biopharmaceuticals 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 provide manufacturing services in all of these segments in addition to cell based therapies, although its protein service offering is currently limited by capacity at its Keele facility.

North America is Cobra's main source of revenue representing 65 per cent. of total revenue in financial year 2007 (2006: 85 per cent.). This was achieved through a US based sales force of 3 sales executives, each covering the major biotechnology hubs in the US. In addition, Cobra has a UK based sales executive who covers Continental Europe and the UK, which together generated 33 per cent. of revenue in financial year 2007 (2006: 13 per cent.).

Cobra is regulated by the Medicines and Healthcare Products Regulatory Agency ("the MHRA"), through EU directives 2001/20/EC ("The Clinical Trials directive"), 2001/83/EC ("The Pharmaceutical directive") and 2003/94/EC ("The GMP directive"), to ensure that both of its biomanufacturing facilities provide services that are consistent and achieve the appropriate quality standards, defined as current Good Manufacturing Practice ("cGMP").

PART III

Financial information on Cobra Biomanufacturing Plc

1. Audited Financial Information for the Years Ended 30 September 2007 and 2006 (Prepared Under International Financial Reporting Standards "IFRS")

Group income statements for the years ended 30 September 2007 and 2006

	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 and 2006

	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

Cash flow statements for the years ended 30 September 2007 and 2006

	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	2,761	2,784	2,392
Effect of foreign exchange gains/(losses)		60	59	(14)	(19)
Closing cash and cash equivalents		1,338	2,940	1,336	2,784

Statements of changes in equity for the years ended 30 September 2007 and 2006

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 years ended 30 September 2007 and 2006

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 3. The nature of the Group's operations and its principal activities are set out in note 5 on page 19 to 21.

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

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 consolidated financial statements in accordance with IFRS as adopted by the European Union (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 31 to 37.

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 (the Group), 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.

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 arsing 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.

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 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 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 defined contribution 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.

4. Revenue

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

	2007 *£000's*	*2006* *£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* *£000's*	*Virus* *£000's*	*DNA* *£000's*	*Cell Line* *£000's*	*Total* *£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)
Admin exps (ex 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

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)
Admin exps (ex 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)
Admin exps (ex 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

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)
Admin exps (ex 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)

	2007 *£000's*	*2006* *£000's*
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

7. Staff costs

Directors

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

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

Non Executive Directors

The basic salary awarded to the Non Executive Directors during the year were as follows:

	Total 2007 £000's	*Total 2006 £000's*
David Bloxham (retired 30 September 2006)	–	23
Michael Gatenby	23	23
David Oxlade	23	5
Nigel Slater	23	23
Total	69	74

Employees

Group

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

	2007 No.	2006 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 £000's	2006 £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 £000's	2006 £000's
Wages and salaries	69	74
Social security costs	4	5
	73	79

8. Finance income

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

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)

Deferred taxation

The deferred tax recognised and not recognised is as follows:

Group

	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.

13. Property, plant and equipment

Group	*Plant and laboratory equipment £000's*	*Motor vehicles £000's*	*Office equip-ment £000's*	*Short leasehold building improve-ments £000's*	*Freehold land & buildings £000's*	*Assets under con-struction £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 the 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.

14. Intangible fixed assets

Group	*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

Company	*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 Ltd	Manufacture of protein, virus and DNA based pharmaceuticals	England and Wales
Cobra Oral Technology Ltd	Research and development of oral vaccines	England and Wales
Cobra Biomanufacturing EBT Ltd	Employee benefit trust	England and Wales
Cobra Biomanufacturing LLC	Dormant	USA

16. Inventories

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

17. Trade and other receivables

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£000's	*£000's*	*£000's*	*£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		*Company*	
	2007	*2006*	*2007*	*2006*
	£000's	*£000's*	*£000's*	*£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		Company	
	2007	*2006*	*2007*	*2006*
	£000's	*£000's*	*£000's*	*£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 per cent. over the National Westminster Bank Plc's base rate on the bank overdraft and outstanding mortgage balance.

	Group		Company	
	2007	*2006*	*2007*	*2006*
	£000's	*£000's*	*£000's*	*£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		Company	
	2007	*2006*	*2007*	*2006*
	£000's	*£000's*	*£000's*	*£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 per cent. (2006: 7.5 per cent.). 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 30 September 2007 the Company had total future outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	Land & buildings		*Other*	
	2007	*2006*	*2007*	*2006*
	£000's	*£000's*	*£000's*	*£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 12 and 5 years respectively and rentals are fixed for an average of 2 and 5 years respectively.

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

22. Called up share capital

	No (000's)	*£000's*
Authorised		
At 1 October 2006 and at 30 September 2007	27,000	2,700

	No.	*£*
Allotted, called up and fully paid		
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. 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.

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		Company	
	2007 £000's	2006 £000's	2007 £000's	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 overleaf shows the Group's currency exposures that give rise to net currency gains and losses recognised in the profit and loss account. Such exposures comprise monetary assets and liabilities of the Group that are not denominated in the operating currency of the operating unit involved.

Functional currency of Group operations	*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 interim financial statements has been in relation to the following:

a. There is a provision for holiday pay shown under administrative expenditure.

b. 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.

c. Under IFRS Cobra has chosen to reclassify foreign exchange gains under finance income, under UK GAAP they were previously shown under administrative expenditure.

d. 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.

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 statements 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 payments	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

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

		UK GAAP	*IFRS effect*	*IFRS*
		£000's	*£000's*	*£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

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

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

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

2. Audited Financial Information for the Year Ended 30 September 2005 (Prepared Under UK GAAP)

Group profit and loss account for the year ended 30 September 2005

	Notes	*2005 £000's*	*2005 £000's*
Turnover	2		7,721
Cost of sales			(3,398)
Gross profit			4,323
Sales, marketing and distribution costs			(1,002)
Administrative expenses			
Research and development		(265)	
Other administrative expenses		(3,408)	
			(3,673)
Operating loss on ordinary activities before interest and taxation	3		(352)
Bank interest receivable		79	
Interest payable		(122)	
	5		(43)
Loss before tax			(395)
Taxation	6		54
Retained loss for the year			(341)
Loss per share			
Basic	8		(1.7)p
Diluted	8		(1.7)p

Group statement of total recognised gains and losses

There are no recognised gains or losses other than the loss for the year ended 30 September 2005 of £340,871.

Balance sheets at 30 September 2005

	Notes	*Group 2005 £000's*	*Company 2005 £000's*
Fixed assets			
Tangible assets	9	7,495	–
Investments	10	–	600
		7,495	600
Current assets			
Stocks and work in progress	11	233	–
Debtors	12	2,013	1,680
Cash at bank and in hand		3,036	2,668
		5,282	4,348
Creditors: amounts falling due within one year	13	(2,781)	(412)
Net current assets		2,501	3,936
Total assets less current liabilities		9,996	4,536
Creditors: amounts falling due after more than one year	14	(2,183)	(1,280)
Net assets		7,813	3,256
Capital and reserves			
Called up share capital	18 &19	1,951	1,951
Share premium	19	9,634	9,634
Merger reserve	19	29,729	–
Profit and loss account	19	(33,501)	(8,329)
Equity shareholders' funds		7,813	3,256

Group statement of cash flows for the year ended 30 September 2005

	Notes	2005 £000's
Net cash inflow from operating activities	20	572
Returns on investment and servicing of finance		
Interest received		79
Interest on bank loans		(45)
Interest element of finance lease rental payments		(77)
		(43)
Taxation		
R&D tax credit		69
Capital expenditure		
Payments to acquire tangible fixed assets		(786)
Net cash outflow before the management of liquid resources and financing		(188)
Management of liquid resources		
Decrease in short term deposits		1,165
Financing		
Issue of ordinary shares		2
Repayment of long-term loans		(1,068)
New long-term loans		1,280
Repayment of capital element of finance leases		(341)
Lease finance acquired		192
		65
Increase in cash		1,042

Reconciliation of net cash flow to movement in net funds for the year ended 30 September 2005

	Notes	2005 £000's
Increase in cash		1,042
Cash inflow from loans		(212)
Repayment of capital element of finance leases		342
Lease finance acquired		(377)
Cash inflow from short-term deposits		(1,165)
Movement in net funds during the year		(370)
Net funds at the start of the year		917
Net funds at the end of the year	20	547

Notes to the financial statements for the year ended 30 September 2005

1. Accounting Policies

Basis of preparation

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

Basis of consolidation and presentation of financial statements

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

Turnover and revenue recognition

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

Tangible assets and depreciation

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

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

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

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

Government Grants

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

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

Stocks

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

Raw materials	purchase cost on a first in first out basis.
Work in progress	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

Research and development

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

Leasing and hire purchase commitments

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

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

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

Deferred tax

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

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

Foreign currencies

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

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

All differences are taken to the profit and loss account.

Pension costs

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

Derivatives and other financial instruments

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

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

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

Interest rate differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group's Balance Sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

2. Turnover

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

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

	2005
	£000's
United Kingdom	1,285
North America	6,138
Europe	210
Rest of the World	88
	7,721

3. Operating loss

This is stated after charging/(crediting):

	2005
	£000's
Auditors' remuneration – audit services	30
– non audit services	18
Depreciation of owned assets	518
Depreciation of assets held under finance leases	193
Operating leases – hire of other assets	24
– rental of premises	214
Government grants	(54)

£15,000 of audit fees and £7,548 of non audit fees relates to the Company. The non audit fees were primarily for taxation and accountancy services.

4. Staff costs

	2005
	£000's
Wages and salaries	3,173
Social security costs	310
Other pension costs	152
	3,635

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

	2005
	No.
Manufacturing	61
Selling, marketing and distribution	8
Research and development	3
Administration	22
	94

Directors' remuneration

	2005 £000's
Aggregate emoluments	482
Company contributions to defined contributions pension scheme	38
	520

Remuneration to highest paid director

	2005 £000's
Aggregate emoluments	193
Company contributions to defined contributions pension scheme	16
	209

5. Interest receivable and payable

	2005 £000's
Interest receivable	
Bank interest receivable	79
Interest payable	
Interest payable bank loans	45
Interest payable on finance leases	77
	122

6. Taxation

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

Taxation on loss on ordinary activities

	2005 £000's
Current tax	
Tax credit in relation to R&D claim	(50)
Adjustments in respect of previous periods	(4)
Total tax	(54)

Factors affecting the tax charge for the period

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

	2005 *£000's*
Loss on ordinary activities before tax	(395)
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30%	(119)
Effect of	
Disallowed expenses and non taxable income	40
Depreciation not in excess of capital allowances	(22)
Other timing differences	3
Adjustment in respect of previous periods	(4)
Tax losses	4
Difference in R&D tax rate	44
Current tax charge for the period	(54)

Factors affecting future tax charges

The trading losses carried forward available for set off against future profits arising from the same trade amount to approximately £14.2 million.

Deferred taxation

The deferred tax recognised and not recognised is as follows:

Group

	Recognised 2005 £000's	*Not Recognised 2005 £000's*
Accelerated capital allowances	–	(84)
Other timing differences	–	(8)
Tax losses	–	(4,274)
	–	(4,366)

Company

	Recognised 2005 £000's	*Not Recognised 2005 £000's*
Accelerated capital allowances	–	–
Other timing differences	–	–
Tax losses	–	(4)
	–	(4)

7. Loss attributable to members of the parent company

The loss dealt with in the accounts of the parent company for the period ended 30 September 2005 was £6,136.

8. Loss earnings per ordinary share

The calculation of basic loss per ordinary share is based on losses of £340,871 and on 19,504,264 ordinary shares being the weighted average number of shares in issue during the year.

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

9. Tangible fixed assets

	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 2004	5,347	8	635	1,845	3,306	–	11,141
Additions	687	–	53	–	42	256	1,038
At 30 September 2005	6,034	8	688	1,845	3,348	256	12,179
Depreciation							
At 1 October 2004	1,643	1	453	1,845	31	–	3,973
Charge for the year	451	3	75	–	182	–	711
At 30 September 2005	2,094	4	528	1,845	213	–	4,684
Net book value							
At 30 September 2005	3,940	4	160	–	3,135	256	7,495
At 30 September 2004	3,703	7	182	–	3,276	–	7,168

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

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

10. Investments

Company

	£000's
At 1 October 2004 and 30 September 2005	600

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

11. Stocks

	Group 2005 £000's	*Company 2005 £000's*
Raw materials & consumables	233	–

12. Debtors

	Group 2005 £000's	Company 2005 £000's
Trade debtors	1,432	–
Amounts owed by group undertakings	–	1,660
Corporation tax	49	–
Other debtors	112	14
Prepayments	420	6
	2,013	1,680

13. Creditors: amounts falling due within one year

	Group 2005 £000's	Company 2005 £000's
Obligations under finance leases	306	–
Trade creditors	1,337	135
Other taxation and social security costs	89	35
Deferred income	356	–
Other creditors	103	74
Accruals	590	168
	2,781	412

14. Creditors: amounts falling due after more than one year

	Group 2005 £000's	Company 2005 £000's
Loans	1,280	1,280
Obligations under finance leases	903	–
	2,183	1,280

15. Loans

	Group 2005 £000's	Company 2005 £000's
Amounts falling due:		
In more than one year but less than two years	41	41
In more than two years but less than five years	296	296
In more than five years	943	943
	1,280	1,280

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

16. Obligations under finance leases

	Group 2005 £000's	Company 2005 £000's
Payable within one year	379	–
Payable between one and two years	364	–
Payable between two and five years	626	–
	1,369	–
Less: finance charges allocated to future periods	(160)	–
	1,209	–

Finance leases and hire purchase contracts are analysed as follows:

	Group 2005 £000's	Company 2005 £000's
Current obligations	306	–
Non-current obligations	903	–
	1,209	–

17. Other financial commitments

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

	Land & buildings 2005 £000's	Other 2005 £000's
Expiring within one year	47	3
Expiring between one and two years	–	9
Expiring between two and five years	–	18
Expiring in greater than five years	154	–
	201	30

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

18. Called up share capital

Group and Company	*No (000's)*	*£000's*
Authorised		
At 1 October 2004 and 30 September 2005	27,000	2,700

Group and Company	*No (000's)*	*£000's*
Allotted, called up and fully paid		
At 30 September 2004	19,500	1,950
Allotted in the year	7	1
At 30 September 2005	19,507	1,951

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

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

	At 1 October 2004 No (000's)	*Granted in year No (000's)*	*Exercised In year No (000's)*	*Cancelled or expired No (000's)*	*At 30 September 2005 No (000's)*	*Exercise price pence*	*Date from which exercisable*	*Expiry date*
Issue 13 June 2002	690	–	–	(8)	682	100.0	14.06.05	12.06.12
Issue 7 July 2003	607	–	–	–	607	96.5	08.07.06	06.07.13
Issue 7 Jan 2004	120	–	–	(24)	96	147.5	08.01.07	06.01.14
Issue 12 July 2004	319	–	(7)	–	312	27.5	13.07.07	11.07.14
Issue 21 Feb 2005	–	141	–	–	141	50.0	22.02.08	20.02.15
Issue 4 Aug 2005	–	20	–	–	20	51.5	05.08.08	03.08.15
Issue 10 Aug 2005	–	6	–	–	6	53.0	11.08.08	09.08.15
	1,736	167	(7)	(32)	1,864			

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

19. Reconciliation of shareholders' funds and movement on reserves

Group

	Share capital £000's	*Share premium £000's*	*Merger reserve £000's*	*Profit & loss account £000's*	*Total £000's*
At 1 October 2004	1,950	9,633	29,729	(33,160)	8,152
Share issue	1	1	–	–	2
Loss for the year	–	–	–	(341)	(341)
At 30 September 2005	1,951	9,634	29,729	(33,501)	7,813

Company

	Share capital £000's	*Share premium £000's*	*Profit & loss account £000's*	*Total £000's*
At 1 October 2004	1,950	9,633	(8,323)	3,260
Share issue	1	1	–	2
Loss for the year	–	–	(6)	(6)
At 30 September 2005	1,951	9,634	(8,329)	3,256

20. Notes to the statement of cash flows

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

	2005
	£000's
Operating loss	(352)
Depreciation of tangible fixed assets	711
Decrease in stock	44
Increase in debtors	(418)
Increase in creditors	587
Net cash inflow from operating activities	572

(b) ***Analysis of net funds***

	2004	*Cash Flow*	*Other non-cash movements*	*2005*
	£000's	*£000's*	*£000's*	*£000's*
Cash at bank and in hand	1,719	1,042	–	2,761
Short-term deposits*	1,440	(1,165)	–	275
	3,159	(123)	–	3,036
Bank loan	(1,068)	(212)	–	(1,280)
Finance leases	(1,174)	149	(184)	(1,209)
Net funds	917	(186)	(184)	547

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

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

21. Financial instruments

It is not the Group's policy to enter into financial derivatives for speculative or trading purposes. The financial instruments employed by the Group other than short-term debtors and creditors are used to fund its operations and comprise cash, short-term deposits, long-term loans and finance leases.

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

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

Interest rate risk profile of financial assets

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

	Financial assets on which no interest is earned £000's	*Floating rate financial assets £000's*	*Total £000's*
2005			
Sterling	375	2,659	3,034
US Dollar	1	1	2
	376	2,660	3,036

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

Interest rate risk profile of financial liabilities

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

	Fixed rate financial liabilities £000's	*Floating rate financial liabilities £000's*	*Total £000's*
2005			
Sterling	1,209	1,280	2,489

The weighted average interest rate on fixed rate financial liabilities at 30 September 2005 was 7.0 per cent.

The weighted average period to maturity of fixed rate financial liabilities at 30 September 2005 was 53 months.

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

Maturity of financial liabilities

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

	2005 £000's
Payable within one year	306
Payable between one and two years	354
Payable between two and five years	886
Payable in more than five years	943
	2,489

Currency exposures

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

Functional currency of Group operations	*Net currency monetary assets*		
	US Dollar £000's	*Euro £000's*	*Total £000's*
2005			
Sterling	800	52	852

Borrowing facility

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

Fair Values of financial assets and financial liabilities

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

22. Pension commitments

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

23. Related party transactions

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

PART IV

Information on the Concert Party

Concert Party Shareholding
The following table sets out the current holding of Ordinary Shares of members of the Concert Party and also shows what the holding of New Ordinary Shares of the Concert Party would be following completion of the Proposals:

Existing Shareholdings:

Member of Concert Party	*Number of Ordinary Shares held*	*per cent. of Existing Ordinary Shares held*
Diana Dixon	5,450,000	27.8
Mark Dixon	Nil	Nil
Total	5,450,000	27.8

Shareholdings following the Placing and Reorganisation:

Member of Concert Party	*Number of New Ordinary Shares held*	*per cent. of Enlarged Share Capital held*
Diana Dixon	19,450,000	43.87
Mark Dixon	Nil	Nil
Total	19,450,000	43.87

Biography:
Below is the biography of the key member of the Concert Party.

Mark Hollingsworth Dixon
Mr Dixon, aged 64 has been associated with the financial services for over 45 years. For ten years he was a stock jobber with Berger and Bosschalk. During this period he was also a member of the London Stock Exchange. He then went on to become a stock broker with Hedderwick Borthwick. Mr Dixon has retired to Oxfordshire from where he continues to take an active interest in the investment industry. Diana Dixon, whose shareholdings are detailed above, is Mr Dixon's wife.

Market Dealings in Shares of the Company by the Concert Party:
Below is a table detailing the market dealings for value in the Ordinary Shares by members of the Concert Party in the twelve months prior to the date of this document. The market dealings all took place prior to negotiations with the Directors of the Company and its advisers in relation to the proposed Placing.

Mr Mark Dixon

Date	*Nature of transaction*	*No*	*Price (p)*	*Value (£)*
25/07/2007	Buy	50,000	37.50	18,750
31/07/2007	Buy	50,000	37.50	18,750
14/02/2008	Buy	100,000	22.50	22,500
19/02/2008	Buy	50,000	22.50	11,250
29/02/2008	Buy	100,000	22.25	22,250
10/03/2008	Buy	50,000	22.25	11,125
18/03/2008	Buy	100,000	22.00	22,000
28/03/2008	Sell	5,450,000	20.50	1,117,250

Mrs Diana Dixon

Date	*Nature of transaction*	*No*	*Price (p)*	*Value (£)*
09/05/2007	Buy	25,000	43.50	10,875
10/05/2007	Buy	25,000	43.50	10,875
11/05/2007	Buy	25,000	43.75	10,938
14/05/2007	Buy	25,000	43.75	10,938
16/05/2007	Buy	25,000	43.70	10,925
17/05/2007	Buy	25,000	43.70	10,925
18/05/2007	Buy	25,000	39.75	9,938
25/05/2007	Buy	30,000	38.50	11,550
05/06/2007	Buy	50,000	40.00	20,000
06/06/2007	Buy	50,000	40.00	20,000
07/06/2007	Buy	50,000	39.50	19,750
08/06/2007	Buy	300,000	39.38	118,125
12/06/2007	Buy	50,000	39.00	19,500
13/06/2007	Buy	20,000	39.00	7,800
14/06/2007	Buy	23,000	39.50	9,085
15/06/2007	Buy	10,000	41.00	4,100
18/06/2007	Buy	12,000	42.00	5,040
18/06/2007	Buy	20,000	43.00	8,600
19/06/2007	Buy	30,000	43.00	12,900
20/06/2007	Buy	10,000	44.50	4,450
21/06/2007	Buy	10,000	45.00	4,500
22/06/2007	Buy	10,000	45.00	4,500
25/06/2007	Buy	10,000	44.50	4,450
27/06/2007	Buy	25,000	46.00	11,500
28/06/2007	Buy	50,000	44.25	22,125
28/06/2007	Buy	100,000	43.50	43,500
28/06/2007	Buy	200,000	42.50	85,000
28/06/2007	Buy	50,000	42.50	21,250
28/06/2007	Buy	50,000	43.30	21,650
29/06/2007	Buy	100,000	42.50	42,500
02/07/2007	Buy	75,000	42.25	31,688
06/07/2007	Buy	50,000	42.00	21,000
11/07/2007	Buy	25,000	39.00	9,750
12/07/2007	Buy	25,000	39.00	9,750
12/07/2007	Buy	40,000	38.50	15,400
08/08/2007	Buy	50,000	37.00	18,500
28/08/2007	Buy	70,000	36.50	25,550
04/09/2007	Buy	50,000	35.00	17,500
07/09/2007	Buy	25,000	35.00	8,750
10/09/2007	Buy	50,000	35.00	17,500
21/09/2007	Buy	50,000	36.00	18,000
27/09/2007	Buy	250,000	29.35	73,375
02/10/2007	Buy	50,000	25.00	12,500
03/10/2007	Buy	50,000	25.50	12,750
05/10/2007	Buy	25,000	25.50	6,375
08/10/2007	Buy	25,000	26.00	6,500
09/10/2007	Buy	25,000	27.00	6,750
09/10/2007	Buy	100,000	27.00	27,000
11/10/2007	Buy	25,000	27.00	6,750
12/10/2007	Buy	25,000	28.00	7,000
15/10/2007	Buy	25,000	27.90	6,975
16/10/2007	Buy	25,000	28.00	7,000
17/10/2007	Buy	50,000	27.00	13,500
23/10/2007	Buy	50,000	27.25	13,625
24/10/2007	Buy	50,000	27.25	13,625
16/11/2007	Buy	50,000	27.50	13,750

28/11/2007	Buy	25,000	27.00	6,750
05/12/2007	Buy	25,000	27.00	6,750
14/12/2007	Buy	100,000	26.50	26,500
17/12/2007	Buy	100,000	26.50	26,500
19/12/2007	Buy	75,000	26.50	19,875
21/12/2007	Buy	100,000	26.50	26,500
02/01/2008	Buy	150,000	26.50	39,750
14/01/2008	Buy	200,000	26.50	53,000
18/01/2008	Buy	75,000	25.00	18,750
23/01/2008	Buy	200,000	24.25	48,500
28/03/2008	Buy	5,450,000	20.50	1,117,250

Address of the members of the Concert Party

Member	*Address*
Mark Dixon and Diana Dixon	c\o Cobra Biomanufacturing Plc, Stephenson Building, Keele Science Park, Keele, Staffordshire, ST5 5SP.

PART V

Additional Information

1. Responsibility

1.1 The existing Directors, whose names are set out in paragraph 3 below, accept responsibility for the information contained in this document but excluding the information in this document relating to the Concert Party. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the importance of such information.

1.2 The Concert Party, whose names are set out in Part IV of this document, accept responsibility for the information contained in this document which relates to the Concert Party. To the best of the knowledge and belief of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the importance of such information.

2. Share capital

2.1 The authorised and issued and fully paid share capital of the Company as the date of this document is as follows:

	Authorised		*Issued*	
Ordinary Shares	*Number*	*£*	*Number*	*£*
	27,000,000	2,700,000	19,591,170	1,959,117

2.2 The authorised and issued and fully paid share capital of the Company on completion of the Proposals (and following the Reorganisation) will be as follows:

	Authorised		*Issued*	
	Number	*£*	*Number*	*£*
New Ordinary Shares	93,679,470	936,795	44,339,170	443,391
Deferred Shares	176,320,530	1,763,205	176,320,530	1,763,205

3. Directors' and other interests

3.1 The voting rights (within the meaning of Chapter 5 of the DTR) of the Directors and their respective families (as defined in the AIM Rules) all of which are beneficial unless otherwise stated and of connected persons within the meaning of section 252 of CA 2006, in the issued ordinary share capital of the Company as at the date of this document and as it will be immediately following the Placing, the existence of which is known to, or could, with reasonable diligence, be ascertained by the Directors, together with the percentages which such interests represent of the Existing Ordinary Shares in issue and of the Enlarged Share Capital after the Placing and Reorganisation are and will be as follows:

	No. of Existing Ordinary Shares currently held	*per cent. of Existing Ordinary Shares currently held*	*No. of New Ordinary Shares held after the Placing*	*per cent. of Enlarged Share Capital held after the Placing*
Peter Fothergill	66,000	0.34	326,000	0.74
Simon Saxby	Nil	Nil	260,000	0.59
Peter Coleman	20,000	0.10	280,000	0.63
Michael Gatenby	30,000	0.15	160,000	0.36
David Oxlade	Nil	Nil	130,000	0.29
Nigel Slater	9,000	0.05	139,000	0.31
David Thatcher	66,500	0.34	196,500	0.44

3.2 Save as disclosed above (and in paragraph 3.6), none of the Directors or any persons connected with them (within the meaning of Rule 3 of the DTR) has any interest, beneficial or non-beneficial, in the share capital of the Company.

3.3 As at 2 May 2008 (being the latest practicable date prior to the publication of this document) and immediately following the Placing and Reorganisation, so far as the Directors are aware, the only persons who are or will be directly or indirectly interested (within the meaning of Chapter 5 of the DTR) in 3 per cent. or more of the Company's capital or could exercise control over the Company are, and will be, as follows:

Name of Shareholder	*No. of Existing Ordinary Shares as at 2 May 2008*	*per cent. of Existing Ordinary Shares as at 2 May 2008*	*No. of New Ordinary Shares after the Placing*	*per cent. of Enlarged Share Capital after the Placing*
Diana Dixon	5,450,000	27.8	19,450,000	43.87
Invesco UK	2,900,200	14.8	5,500,200	12.40
Cavendish Investments	1,238,250	6.3	3,838,250	8.66
John Moulton	440,000	2.2	2,440,000	5.50
Seymour Pierce Ltd	0	0	1,500,000	3.38
Collins Stewart CI	796,750	4.1	796,750	1.80
Barclays Stockbrokers	631,906	3.2	631,906	1.43
New Star	610,000	3.1	610,000	1.38

3.4 Save for the Concert Party, the Company is not aware of any person or persons who either alone or, if connected, jointly following the completion of the Proposals will (directly or indirectly) exercise or could exercise control over the Company.

3.5 The Company's Shareholders listed in paragraph 3.3, do not have different voting rights to other holders of Ordinary Shares. The Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

3.6 As at 2 May 2008 (the latest practicable date prior to the publication of this document), the Company had granted options over 1,346,751 Ordinary Shares to the Directors as follows:

Name	*Options*	*Price (pence)*	*Issue Date*	*Expiry*
Peter Fothergill				
Unapproved scheme	200,000	100.0	13.06.02	12.06.12
Unapproved scheme	207,254	96.5	07.07.03	06.07.13
Unapproved scheme	72,727	27.5	12.07.04	11.07.14
LTIP matching award	30,508	Nil	24.08.06	23.08.16
Total	510,489			
Peter Coleman				
Unapproved scheme	60,000	100.0	13.06.02	12.06.12
Unapproved scheme	74,352	96.5	07.07.03	06.07.13
Unapproved scheme	32,727	27.5	12.07.04	11.07.14
LTIP matching award	22,881	Nil	24.08.06	23.08.16
Total	189,960			
David Thatcher				
Unapproved scheme (i)	230,000	100.0	13.06.02	12.06.12 (i)
Unapproved scheme (i)	269,430	96.5	07.07.03	06.07.13 (i)
Unapproved scheme (i)	116,364	27.5	12.07.04	11.07.14 (i)
LTIP matching award (ii)	30,508	Nil	24.08.06	23.08.16 (ii)
Total	646,302			

(i) David Thatcher has 6 months from 18 January 2008 in which to exercise the share options granted to him under the unapproved share option scheme.

(ii) David Thatcher has 3 months from 18 January 2008 in which to exercise the share options granted to him under the LTIP scheme.

3.7 The names of the members of the Concert Party are: Mark Dixon and Diana Dixon.

3.8 Further details on the Concert Party members are set out in Part IV of this document.

3.9 As at the close of business on 2 May 2008 (the latest practicable date prior to the publication of this document), Seymour Pierce, broker to Cobra, held a short position of 2,342 Ordinary Shares as principal and no Ordinary Shares on a discretionary basis nor has Seymour Pierce dealt for value in Ordinary Shares on behalf of discretionary clients in the twelve months prior to the date of this document.

3.10 Seymour Pierce has dealt for value in Ordinary Shares in the twelve months prior to publication of this document for non-discretionary clients as follows:

No. of Ordinary Shares	*Date*	*Trade*	*Consideration (£)*	*Price (p)*
25,000	13 June 2007	Buy	9,875.00	39.5
50,000	19 February 2008	Sell	11,000.00	22.2
50,000	03 March 2008	Sell	11,000.00	22.2

3.11 Save as disclosed in Part IV of this document, no member of the Concert Party, nor any member of their immediate families nor any person acting in concert with the Concert Party nor any person with whom the Company or any person acting in concert with the Company has an arrangement, has any interests (as defined in the Takeover Code) rights to subscribe or any short positions, in any relevant securities and the only dealings for value of any such person in any relevant securities in the twelve months prior to the date of this document are detailed in Part IV of this document.

3.12 Neither the Concert Party nor any person acting in concert with the Concert Party nor any associate of the Concert Party has any arrangement in relation to relevant securities.

3.13 Save as disclosed in this paragraph 3, neither the Company, nor any of the Directors, nor any member of their immediate families, nor any associated company of the Company, nor any pension fund or employee benefit trust of the Company or of any subsidiary or associated company of the Company, nor any person with whom the Company or any associates of the Company has an arrangement, nor any person whose investments are managed on a discretionary basis by a fund manager (other than an exempt fund manager) connected with the Company, or has any interests (as defined in the Takeover Code) rights to subscribe or any short positions, in any relevant securities, nor has any such person dealt for value in any relevant securities in the twelve months prior to the date of this document. For the purposes of this paragraph, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status.

3.14 Save as disclosed in this paragraph 3, neither the Company nor any person acting in concert with the Company, nor any associate of the Company has any arrangement in relation to relevant securities.

3.15 Save as disclosed in this paragraph 3, no connected adviser (as defined in the Takeover Code) (other than an exempt principal trader) to the Company or any associate of the Company or any concert party of the Company (nor any person controlling, controlled by or under the same control as such connected adviser) has any interests, as defined in the Code, rights to subscribe or any short positions, in any relevant securities at the date of this document nor has any such person dealt for value therein in the twelve months prior to the date of this document.

3.16 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation agreement) exists between the Concert Party, any person acting in concert with the Concert Party and any of the Directors, recent directors, Shareholders or recent shareholders of the Company or its advisors having any connection with or dependence upon the matters referred to in Part I of this document.

3.17 There are no external financing arrangements being sourced in connection with the Proposals in this document. There are therefore no arrangements in place nor any required for the payment of interest on, repayment of or security for any liability (contingent or otherwise) as a result of the proposals in this document.

3.18 The Concert Party does not have any arrangement, including an indemnity or option arrangement, or any agreement or understanding, formal or informal of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

3.19 No relevant securities have been borrowed or lent by the Concert Party or anyone acting in concert with the Concert Party.

3.20 No relevant securities of the Company have been borrowed or lent by any person or persons acting in concert with the Company.

3.21 References in this paragraph 3 to:

(a) "arrangement" include an indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

(b) an "associate" are to:

(i) subsidiaries and associated companies of Cobra or, as the case may be, the Concert Party and companies of which any such companies are associated companies.

(c) a "bank" does not apply to a bank whose sole relationship with Cobra, the Concert Party or a company included within (b)(i) above is the provision of normal commercial banking services;

(d) "derivative" include any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying securities;

(e) "relevant securities" means Ordinary Shares and securities convertible into, or rights to subscribe for Ordinary Shares, options (including traded options) in respect of Ordinary Shares, derivatives referenced to Ordinary Shares or short positions, (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery in each case in respect of Ordinary Shares; and

(f) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of "associated company" status and "control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding, or aggregate holdings, gives *de facto* control.

3.22 There are no arrangements for the transfer of securities acquired under the proposed Placing.

3.23 There are no financing arrangements of the Concert Party currently in place in which the repayment or security is dependent on the Company.

3.24 There are no relationships (personal, financial or commercial), arrangements or understandings between the Concert Party and, any of the Directors (or their close relatives and related trusts), any of the Shareholders or any person who is, or is presumed to be, acting in concert with any such shareholder, or the Rule 3 adviser or any person who is, or is presumed to be, acting in concert with the Rule 3 adviser.

3.25 None of the Directors of the Company has a conflict of interest in relation to the Proposals.

4. Directors' service contracts and other interests

The following agreements have been entered into by the Directors and the Company:

Peter Fothergill (Chairman) and Peter Coleman (Finance Director) entered into executive service agreements in June 2002. Their appointments continue for an indefinite period terminable by either party on 12 months' notice. Simon Saxby (Chief Operating Officer) entered into an executive service agreement on 18 January 2008. His appointment is subject to a six month probationary period, terminable by either party on one month notice, and then upon satisfactory completion of probation terminable by either party on six month's notice. Subject to such notice periods the executive service contracts shall terminate automatically on each of the director's 65th birthday. Payment may be made in lieu of notice in respect of the director's salary and benefits.

Peter Fothergill is entitled to a salary of £110,917 per annum, (increased from £108,742 on 1 January 2008) Simon Saxby £125,000 and Peter Coleman, £106,000 (increased from £101,000 on 1 January 2008). Each of the Directors salary is reviewable by the Board on 1 January, although there is no obligation on the Board to award any increase in salary. In addition the Directors are also entitled to a contribution towards the use of a car, participation in the Company's share option and LTIP schemes, a contribution towards their pension scheme and any life assurance arrangements and private medical insurance schemes of the Company. The remuneration committee may also award (in its absolute discretion) bonus payments in such amount as the remuneration committee shall determine from time to time.

Under the terms of their letters of engagement as Non Executive Directors of the Company, Michael Gatenby, David Oxlade and Bio-Developments Limited (through which the services of Nigel Slater are procured) are each entitled to an annual fee of £22,500 per annum. They are subject to re-election every 3 years at the annual general meeting of the Company, and their letter of engagement can be terminated by either party on three months' notice.

David Thatcher stood down as Chief Executive on 18 January 2008, with his executive service agreement entitling him to a payment in lieu of his 12 months notice period in respect of his salary and benefits. The compromise agreement entered into on the 18 January 2008 stated that he will be paid a settlement in instalments over the 12 month period to the 18 January 2009. In addition he also entered into a fixed 12 month consultancy agreement on 18 January 2008, which requires him to provide 122 days per annum consultancy to the Company, including attendance at the Company's board meetings as a Non Executive Director for a nominal fee.

Save as disclosed in this paragraph 4, no other service contracts with Directors have been entered into or amended in the last 6 months.

Following the Placing, it is proposed that Peter Fothergill will become a Non Executive Chairman and Simon Saxby will become Chief Executive as he has more than met the requirements of his probationary period.

5. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this document and are or may be material:

5.1 Service Contracts:

Cobra Biomanufacturing Plc entered into a 2 year $9.5m service contract on 17 January 2008 with the US biotechnology company, GenVec Inc for the transfer, scale up, process qualification, process validation and the production of cGMP Biologics Licence Application ("BLA") batches of TNFeradeTM an adenovirus based therapeutic targeting pancreatic cancer. This is expected to lead ultimately to a commercial manufacturing agreement using fully validated equipment, procedures and facilities at Cobra's Oxford facility.

5.2 Placing Agreement:

By a placing agreement between Cobra and Seymour Pierce dated 1 May 2008 Seymour Pierce agreed, subject to certain conditions, to act as agent for Cobra to procure subscribers for all of the Placing Shares at a price of 5 pence per share. Seymour Pierce is entitled to a commission fee of 5 per cent. of the value of the monies raised by Seymour Pierce in the Placing and an advisory fee comprising of £125,000 of which £75,000 will be subscribed by Seymour Pierce for 1,500,000 New Ordinary Shares at the Placing Price.

The Placing Agreement contains certain warranties and undertakings from Cobra to Seymour Pierce.

6. Middle-market quotations

Set out below are the closing middle-market quotations for an Ordinary Share as derived from the AIM Appendix to the Daily Official List for the first dealing day of each of the six months immediately preceding the date of this document and on 2 May 2008 (the latest practicable date prior to the publication of this document):

Date	*Price per Ordinary Share (in pence)*
03 December 2007	27.0
02 January 2008	27.0
01 February 2008	24.0
03 March 2008	22.3
01 April 2008	20.0
01 May 2008	19.0
02 May 2008	19.0

7. Material Change

Since 30 September 2007, being the last day of the financial period for which the Company's most recent audited financial statements have been prepared, there have been no material changes in the financial and trading position of the Company, other than as disclosed under the paragraph entitled "Background" on page 7 of this document.

8. General

8.1 Seymour Pierce has given and not withdrawn its written consent to the issue of this document with the references to Seymour Pierce in the form and context in which they appear.

8.2 An Inducement Fee of £22,000 is payable to Mark Dixon in relation to the Proposals. The Inducement fee is to cover the costs of releasing the capital required to allow Mark Dixon to participate in the Placing. The payment of the Inducement Fee is conditional upon the Resolutions being passed at EGM.

9. Intentions of the Concert Party

The Concert Party has confirmed to the Board that it is not presently proposing any changes to the Board, and that it would be the intention of the Concert Party, following the Placing, that the business of the Company be continued in substantially the same manner as at the present with no major changes and that the Concert Party has no intention following the Placing to make any material amendment to the existing employment rights of the Company's employees.

10. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Seymour Pierce Limited, 20 Old Bailey, London, EC4M 7EN during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 30 May 2008 and at the Extraordinary General Meeting to be held on that day:

10.1 the Articles of Association of Cobra Biomanufacturing Plc;

10.2 the audited consolidated group accounts of the Group for the financial years ended 30 September 2006 and 2007;

10.3 each of the material contracts summarised in paragraph 5 of this Part V above;

10.4 the service contracts and letters of appointment of the Directors;

10.5 the letter of consent from Seymour Pierce referred to in paragraph 8.1 of this Part V above;

10.6 the Inducement Fee agreement.

11. Availability of document

Copies of this document will be available free of charge during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date following one month after the date of the Placing at the registered office of the Company and at the offices of Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN.

Cobra Biomanufacturing Plc

(*Incorporated in England and Wales with registered number 4442927*)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at Seymour Pierce Limited, 20 Old Bailey, London, EC4M 7EN on 30 May 2008 at 11.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed, as to Resolutions numbered 3 and 4 as Ordinary Resolutions and, Resolutions numbered 1, 2 and 5 as Special Resolutions:

SPECIAL RESOLUTION

1. THAT, subject to and conditional upon the passing of resolution 2 below, the regulations contained in the printed document produced to the meeting and initialled, for the purposes of identification, by the chairman be and they are hereby adopted as the new articles of association of the Company in substitution for the existing articles of association of the Company.

SPECIAL RESOLUTION

2. THAT, subject to and conditional upon the passing of resolution 1 above, notwithstanding anything in the articles of association of the Company, each unissued ordinary share of 10 pence each in the capital of the Company shall be subdivided into and reclassified as 10 ordinary shares of 1 pence each ("New Ordinary Shares") and each existing issued ordinary share of 10 pence each in the capital of the Company shall be subdivided and reclassified into one New Ordinary Share and 9 deferred shares of one penny in the capital of the Company (the "Deferred Shares"), such Deferred Shares having the following rights and being subject to the following restrictions:

   (a) the Deferred Shares shall not confer on the holders thereof any right to receive notice of or to attend or vote at any general meeting of the Company;

   (b) the holders of Deferred Shares shall not be entitled to any dividend or other distribution;

   (c) on a return of capital, whether on a winding-up or otherwise, the holders of Deferred Shares shall be entitled to receive only the amount paid up or credited as paid up on each Deferred Share, but only after the holders of each New Ordinary Share have received the amount paid up or credited as paid up on each New Ordinary Share, plus £10,000 per New Ordinary Share but the holders of Deferred Shares shall not be entitled to participate further;

   (d) the Company shall have the irrevocable authority at any time after the creation or issue of Deferred Shares to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or agreement to transfer the same without making any payment to the holders thereof to such person or persons as the Company may determine and, in accordance with the provisions of the Companies Act 1985 (as amended) (the "Act"), to purchase or cancel such shares without making any payment to or obtaining the sanction of the holders thereof and pending such transfer and/or purchase or cancellation to retain the certificates (if any) in respect thereof provided also that the Company may, in accordance with the provisions of the Act, purchase all but not some only of the Deferred Shares then in issue at a price not exceeding 1 pence for all the Deferred Shares so purchased;

   (e) the rights attaching to the Deferred Shares shall not be, or deemed to be, varied, modified or abrogated by the creation, allotment or issue of any shares in the capital of the Company of any class (whether ranking pari passu with or in priority to them) or the passing of any resolution to cancel all or any of the Deferred Shares or any thing done pursuant to or any other act, matter or thing whatsoever save for any proposal to vary (otherwise than to the advantage of the holders of the Deferred Shares) the rights of the holders of the Deferred Shares to participate in a return of capital; and

   (f) notwithstanding any provision of the Articles of Association, the Company shall not be required to issue any share certificates in respect of the Deferred Shares.

ORDINARY RESOLUTION

3. THAT, subject to the passing of Resolutions 1 and 2 in substitution for all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 80 of the Act to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) of the Company provided that:

3.1 such power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £147,797;

3.2 such authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, or fifteen months from the date hereof if earlier, save that the Company may before such expiry make offers or agreements which would or might require relevant securities of the Company to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

ORDINARY RESOLUTION

4. THAT, subject to the passing of Resolutions 1, 2 and 3 above, approval be and is hereby given to the waiver in the terms described in the circular of the Company dated 6 May 2008 of which this notice of extraordinary general meeting forms part (the "Circular") by the Panel on Takeovers and Mergers of any requirement under Rule 9 of the City Code on Takeovers and Mergers for members of the Concert Party (as defined in the Circular) to make a general offer, for the ordinary share capital of the Company as a result of the allotment and issue of 14,000,000 Placing Shares (as defined in the Circular) to the Concert Party.

SPECIAL RESOLUTION

5. THAT, in substitution for all existing authorities and conditional upon the passing of Resolutions 1, 2, 3 and 4 above, the Directors be and are empowered in accordance with Section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that resolution 3 above, as if section 89 (1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to the allotment of relevant securities:

5.1 pursuant to the Placing (as defined in the Circular);

5.2 in connection with or pursuant to a rights issue, open offer or equivalent offer in favour of the holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine in which such holders are offered the right to participate in proportion (as nearly as may be) to their respective holdings or in accordance with the rights attached thereto but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body in any territory;

5.3 (other than pursuant to paragraphs 5.1 above) up to an aggregate nominal amount of £44,339;

and shall expire at the conclusion of the next Annual General Meeting of the Company or fifteen months after the date of the passing of this resolution if earlier save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

DATED this sixth day of May 2008

By Order of the Board
Peter Coleman
Company Secretary

Registered Office:
Stephenson Building
Keele Science Park
Keele
Staffordshire
ST5 5SP

Notes:

1. Any member of the Company is entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. A Form of Proxy is enclosed with this document. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the meeting, or any adjournment thereof, in person.
2. To be valid, Forms of Proxy must be completed and deposited with the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the Meeting and in default will not be treated as valid.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you will need to complete a separate Forms of Proxy in relation to each appointment. Please contact the Company's Registrar for the purpose of requesting additional Form of Proxy. You will need to state clearly on each Form of Proxy how many shares the proxy was appointed in relation to. A failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by the member will result in the proxy appointment being invalid.
4. In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of the Meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by the enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the register of members of the Company 48 hours before the time set for the Meeting (or if the Meeting is adjourned, shareholders registered in the register of members of the Company not later than 48 hours before the time fixed for the adjourned Meeting) shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
8. Resolution 4 will be taken on a poll in accordance with the requirements of the Panel on Takeovers and Mergers for dispensations from Rule 9 of the City Code on Takeovers and Mergers.

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