


A large, flowing red ribbon graphic that starts as a dark red band at the top left, curves downwards and to the right, and then transitions into a lighter, pinkish-red band as it continues down the page.

making tomorrow's medicines

2	Chairman's statement
4	Chief Executive's review
10	Board of Directors
11	Senior management
12	Financial review
14	Report of the Directors
18	Report on Directors' remuneration
20	Statement of Directors' responsibilities
21	Report of the auditors
22	Group profit and loss account
23	Balance sheets
24	Group statement of cash flows
25	Reconciliation of net cash flow to movement in net funds
26	Notes to the financial statements
42	Notice of Annual General Meeting
43	Shareholder information
44	Directors and advisors



Our mission is to become a major force in the manufacture of biopharmaceuticals for the international pharmaceutical industry; an independent, full service, manufacturing partner from the clinic through to 'in market' supply.

## Chairman's statement



It is a particular pleasure to present Cobra's first Annual Report as a publicly quoted company. The business that has become Cobra Biomanufacturing Plc was originally established as the manufacturing division of the UK's first gene therapy company. In 1998 it was recognised that an opportunity existed to provide this same service to the wider biopharmaceutical industry. Progressively, a meaningful business was established.

In late 2001 it was recognised that the manufacturing business could only operate effectively as a truly independent company and accordingly we began to establish the necessary infrastructure. Since then we have successfully increased our manufacturing capacity more than four-fold and continue to pursue our primary objective of becoming a globally recognised DNA, virus and protein provider to the biopharmaceutical industry. We will achieve this by providing a full, independent service, a comprehensive and unrivalled range of manufacturing capabilities, innovative technologies and by delivering product from the clinic right through to 'in market' supply.

In this, our first period of independent trading, we made strong progress towards our stated aim. In June 2002 we disposed of the research and development (R&D) business in a Group reconstruction and floated successfully on the Alternative Investment Market (AIM) of the London Stock Exchange. We raised £7 million, giving us a market capitalisation of £13 million, at a time when the world's stock markets were very challenging. This was a considerable achievement and underlines the credibility and potential of our business.

Since June 2002 we have moved rapidly to consolidate the necessary infrastructure for an independent and international business. A key area of recruitment has been business development, both for Europe and the US. The strengthening of this team will underwrite the business expansion anticipated from the newly expanded facilities, which came on stream in the summer of 2002, and from the recent opening of an office in Chicago, strengthening our presence in the all important North American marketplace.

### Customers

Cobra has an international customer base and at the financial year-end it had 22 major accounts in Europe, the US, Africa and Australasia. Many of our customers require confidentiality concerning contracted products and Cobra is determined to respect this request. However, we can confirm that we have established a long-term manufacturing partnership with the Australian pharmaceuticals company FH Faulding Limited (a subsidiary of Mayne Pharma). We are also making two HIV/AIDS vaccines for the International AIDS Vaccine Initiative (IAVI) and we have entered a supply and commercialisation agreement with the South African AIDS Vaccine Initiative (SAAVI), which gives Cobra commercialisation rights outside of South Africa.

## People

I am delighted to welcome two new Non-executive Directors to the Board, both of whom have extensive and relevant experience of the global pharmaceutical industry. Nigel Slater is Professor of Chemical Engineering at the University of Cambridge, UK and gained biopharmaceutical development and engineering expertise at Wellcome plc and Unilever Nederland BV. Dr David Bloxham has held a number of senior research and development posts and was a main Board member of Laboratories Almirall SA and Celltech plc. He is currently CEO of Evolutec Limited and a Non-executive Director of Profile Therapeutics plc and Provalis plc.

Today we have 59 staff, all of whom should take credit for our significant achievements during the year. These last 12 months have been an exciting and challenging time for all the employees in Cobra who have come together as a highly focused team of dedicated professionals, committed to our primary objective of becoming a world class player in the biopharmaceutical industry.

## Future prospects

We enter our first fully independent year in a strong position. The pharmaceutical industry is outsourcing more of its production, particularly that of sophisticated, complex biopharmaceuticals which require considerable, specialist know-how to make efficiently and consistently. Cobra is particularly well placed to capitalise on this trend and for this reason I can confidently predict continued growth for the future. In order to secure that growth we will maximise the utility of our existing facilities and invest appropriately to upgrade and expand production. We will also maintain appropriate levels of research investment to strengthen and broaden our intellectual property and technology base, which contributes a second, valuable revenue stream to the Group. Through such moves we will establish additional, long-term supply agreements, drive consistent sales and profit growth and progress steadily towards being a world player in biopharmaceutical manufacture.



A handwritten signature in black ink that reads "G Peter Fothergill". The signature is written in a cursive style and is underlined with a long, horizontal stroke.

**G Peter Fothergill**  
Executive Chairman  
23 January 2003

## Chief Executive's review

Cobra has had a promising year during which we have increased turnover from continuing operations by 124% to £2.54 million. We held operating losses for continuing operations of the Group to £0.81 million, which was fully in line with expectations. The Group made a profit on disposal of the R&D business of £2.52 million and achieved an overall profit of £0.09 million due to the R&D tax credits of £1.03 million for the discontinued operations. We raised £7.00 million on floatation of which £3.00 million was used to repay an outstanding overdraft; £0.12 million was allocated to reorganisation costs and £0.70 million to share issue costs. As at 30 September 2002 Cobra had cash of £2.61 million.

## Objectives

Cobra provides manufacturing solutions to the development of biopharmaceutical products. Biopharmaceuticals are highly potent molecules, which require innovative production technologies, expert manufacturing skills and high-level analytical capabilities. Cobra occupies a unique and strong position in this market by virtue of its pharmaceutical experience, unblemished track record and superior, proprietary technologies. The breadth of Cobra's capabilities provides further competitive advantage. The Group is already a leading international manufacturer of DNA development products and has the skills and experience to make biopharmaceuticals based on genetically engineered viruses and protein products derived from genetically engineered bacteria.

For the future, we aim to:

- Maximise turnover from current manufacturing assets.
- License our technology to partners with products that are likely to succeed and under conditions where Cobra can participate in the sales income.
- Establish long-term manufacturing arrangements.

## Strategy

We will achieve our objectives by expanding existing business and attracting new customers, particularly leading international pharmaceutical clients in the priority markets of Europe and the US. In the coming year we will consolidate our position in research and clinical trial manufacture to fully utilise our existing plant. We will also begin to expand our facilities to support commercial scale production, such that by the close of 2005 we can satisfy all customer needs, from pre-clinical research through to 'in-market' supply. We will continue to seek appropriate licensing opportunities, invest in research and secure appropriate intellectual property protection for our innovative technologies.







virus they produce high levels of Cytotoxic T-Lymphocyte (CTL) cells which recognise and destroy cells infected with HIV. Clinical data on one of the IAVI/Cobra vaccines revealed that it raised a CTL response in 14 of the 18 volunteers and that this strong immune response was maintained in 6 individuals for one year. This is an unprecedented result, superior to other test vaccines, and may reflect benefits in the way we manufacture the DNA or of our ORT vector (see page 8 for definition). The strength of this research has resulted in additional approaches to Cobra from groups with AIDS vaccine interests.

We are collaborating on a further two HIV vaccines with the South African AIDS Vaccine Initiative/Medical Research Council (SAVI). Here we have entered a different type of business arrangement, whereby we are contracted to supply clinical development quantities of the DNA vaccines for Phase I/II clinical trials and we have the option of first refusal on Phase III and commercial supply for Sub-Saharan Africa. Cobra has also successfully negotiated the right to exploit the vaccine internationally, outside South Africa. If the products are successful we will seek to identify a partner to cover clinical trials and marketing.

**“A vaccine is our last, best hope of stopping the epidemic”**

Seth Berkley, President of International Aids Vaccine Initiative (IAVI) Newsweek, June 2001

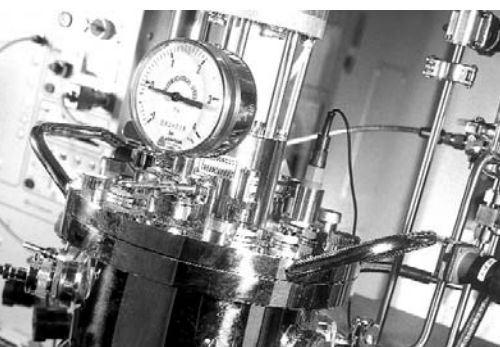
## Facilities

Following flotation we moved swiftly to consolidate the necessary infrastructure for an independent, international business. During the year we expanded our microbial fermentation capacity four-fold and doubled our virus production capability. This was in response to increased orders and in anticipation of the greater volumes, which will be required as the products we make progress through clinical trials. These facilities were completed at Keele, UK, in the final quarter of the financial year and are now fully operational.

Our objective for 2003 is to establish a licensed products manufacturing capability and in this respect we are already evaluating appropriate acquisitions and planning the design of additional infrastructure. We aim to establish tangible assets during the financial year 2004.

Biopharmaceuticals are highly potent molecules and production volumes are typically small (less than 0.5 grams for pre-clinical work; 1 – 10 grams for Phase I and II clinical trials and up to 20 grams for Phase III trials), compared with conventional pharmaceuticals. This is an important advantage, because it means our business has relatively low capital investment demands. As such, the cost associated with the year's production expansion was modest.

## Chief Executive's review continued



### Technologies and capabilities

Cobra is differentiated from many of its competitors by virtue of its innovative and proprietary technologies which it applies to its customers' manufacturing programmes and which will generate additional revenues for the company through licensing agreements.

Operator Repressor Titration (ORT) is the only clinically validated system available which avoids the use of antibiotics and antibiotic resistant genes during biological manufacturing. Bacterial resistance to antibiotics is a growing problem and ORT is particularly beneficial in products, which are used to treat patients suffering from, or susceptible to microbial infection, such as those who are immunocompromised through cancer treatments or HIV/tuberculosis infection.

Cobra is now one of the world's leading contract manufacturers of DNA vaccines for HIV/AIDS. These vaccines work either through injection of DNA alone or by an initial injection with DNA (prime) followed by a boost with a more conventional virus or protein-containing dose (the prime-boost strategy). Cobra is the only manufacturer to provide a one-stop-shop for the prime-boost approach, since we have manufacturing technologies for both the DNA prime and the virus or protein booster.

Cobra has a valuable portfolio of granted patents covering the isolation and purification of DNA products and the design of superior cell systems for the large-scale manufacture of DNA and protein products. In addition to HIV vaccines, ORT is being applied to provide pre-clinical trial quantities of two potential tuberculosis vaccines.

Cobra has an exclusive license from ML Laboratories Plc to provide UCOE, an innovative technology that supports the expression of protein products in mammalian cells. UCOE enables the rapid isolation of stable, high producing bacterial strains for commercially viable biopharmaceutical production. The utility of this technology has been demonstrated in the production of antibodies and of generic products such as EPO. UCOE can be applied to the manufacture of any new mammalian cell products. During the year we established our first UCOE contract and secured the first license for this technology issued by Cobra.

### Territorial expansion

The US and Europe are priority markets for Cobra and during the year we recruited key business development personnel to underwrite business expansion in these territories. We are pleased to welcome Andy Lewin as UK Director of Business Development. Andy joins us from Accentus Biologics, a part of AEA Technology and he has global responsibility for marketing activities including licensing, together with a specific responsibility for sales in Europe.

Over 70% of the global biotechnology market is in North America but at present only 20% of our business is derived from the territory. We are determined to capitalise fully on the potential of this market and to this end we have strengthened our US presence by opening a sales office in Chicago, which gives us excellent access to both East and West Coast markets. We have also appointed Jason Rahal as US Vice President of Business Development. Jason has wide experience and a strong network within the US biotechnology industry and joins Cobra from Excell Biotech Limited where he was responsible for business development and strategic sales and marketing in the North American pharmaceutical and biotechnology market.

### A platform for success

In our first year we have established a solid platform for success. Despite the challenging funding outlook for the biotechnology industry, the market for biopharmaceuticals manufacture remains buoyant and demand for Cobra's specialist services continues to strengthen. Cobra has a healthy order book and our short-term prospects are very promising. We anticipate continued growth in revenues over the next year as existing assets are maximised and we secure new partnerships, particularly in the US market.

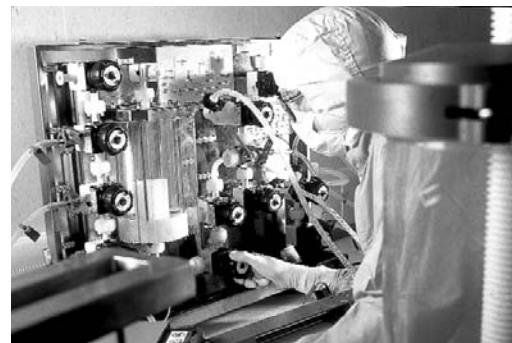
I am also optimistic about the longer term. Cobra has outstanding competitive advantage in the complex and challenging market of biopharmaceutical manufacture. We intend to leverage our experience, track record, breadth of production capabilities and innovative technologies to attract new customers, particularly those in Europe and the US. The addition of 'in market' production capabilities will also enable us to attract additional business. Cobra has started strongly and I am confident in our ability to maintain that performance.



A handwritten signature in black ink, appearing to read 'Dr David Thatcher'.

**Dr David Thatcher**

Chief Executive  
23 January 2003





## Board of Directors

### (1) Peter Fothergill BA FCIM (Age 57)

Executive Chairman

Peter Fothergill has over 30 years experience in the Healthcare Industry, leading to Chairmanship of Fisons plc's multinational research-based Pharmaceutical Division and also its Consumer Health Division. He was a main Board Director during the period when Fisons plc was a FTSE 100 company and led a series of strategic development initiatives, including acquisitions in North America, Europe and Asia, whilst achieving significant organic growth.

He subsequently formed his own strategic management company that has been involved in a number of management buy-out and buy-in arrangements, consultancies and the creation of new businesses in the private company sector. He stepped down as a Board Director of ML Laboratories Plc on completion of the Admission and Placing in June 2002, (whilst continuing to retain certain functions on a part time basis) and is also Chairman of I Holland Limited, the world's leading supplier of tablet moulding tools to the pharmaceutical industry. He has a number of further Non-executive appointments and is a fellow of the Chartered Institute of Marketing and a member of the Institute of Directors.

### (2) David Thatcher PhD (Age 55)

Chief Executive

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

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

### (3) Peter Coleman ACMA MBA (Age 36)

Finance Director

Peter Coleman has over eight years experience in the pharmaceutical industry. From 1994 to June 2002 he was employed by ML Laboratories Plc in a variety of senior financial and corporate development roles at ML's head office. Prior to his employment at ML, he was a Director of SPD Holdings, a family owned sub-contract aerospace manufacturing company.

Peter qualified as a chartered management accountant in 1996 and in 2001 was awarded an MBA with distinction jointly from the Manchester Business School and the University of Wales.

### (4) David Bloxham PhD (Age 55)

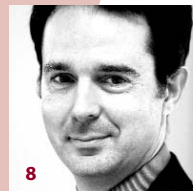
Non-executive Director

David Bloxham trained as a biochemist and pursued an academic career in Europe and America before entering the pharmaceutical industry. He has held a number of senior R&D positions and was a main Board member of Celltech plc and Laboratories Almirall SA. He was CEO of Cobra when it was sold to ML. He is currently CEO of Evlutec Limited and a Non-executive Director of Profile Therapeutics plc and Provalis plc.

### (5) Professor Nigel Slater (Age 49)

Non-executive Director

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



## Senior management

### (6) Julian Hanak BSc (Hons), MSc, (Age 38)

Director of Production

After gaining an honours degree in Biochemistry at University College London, Julian Hanak obtained an MSc at the University College of North Wales and then trained in cell culture and microbial fermentation at the National Institute of Medical Research. He then moved to the Bioproducts Laboratory (Elstree) where his duties involved the pilot scale production of human monoclonal antibodies for clinical trials. He was also responsible for running a sterile fill operation and supervising the commissioning of a new GMP production suite.

In 1992 he moved to Zeneca Pharmaceuticals where he was involved with the process development of several immunotherapy products and the development of virus expression systems for protein production. He joined Cobra in 1994 and took over responsibility for production in 1995.

### (7) Geoff Sharpe BSc, PhD, (Age 56)

Director of Quality Assurance

After having gained a degree in Applied Chemistry at Liverpool, Geoff Sharpe trained as a research chemist working for ICI Corporate Laboratory in Runcorn. He switched to the ICI Corporate Biotechnology Centre and went on to complete a PhD in Molecular Biology at Leicester University.

In 1991 he transferred to ICI Pharmaceuticals (now Zeneca) where he was involved with the cloning and expression of recombinant proteins and managed the corporate DNA sequencing laboratory. In 1993 he moved to Zeneca Pharmaceuticals, Pharmaceutical Department where he managed a team involved in the development and manufacture of both small molecule and biotechnology based therapeutics. In 1996 he joined Cobra as their Quality Assurance Manager and has been trained as a Qualified Person under Article 23 of Directive 75/319/EEC.

### (8) Andrew Lewin BA (Hons) (Age 37)

Director of Business Development

Andy Lewin was most recently Business Development and Sales Manager at Accentus Biologics, a subsidiary of AEA Technology plc, where he led the sales, marketing and licensing activities. Andy joined AEA as a senior scientist in 1995 and held a series of managerial and marketing posts before joining the team that founded Accentus Biologics in 2000. During his time at AEA/Accentus, Andy was responsible for winning new business in the biotech, pharmaceutical and healthcare sectors, and gained extensive experience of the successful management and licensing of technology and intellectual property.

Andy has a BA (Hons) in Biochemistry from Oxford University and has worked with both the Imperial Cancer Research Fund Laboratories and the Marie Curie Research Institute in research posts where he co-authored a number of scientific papers in the area of molecular and cell biology.

# Financial review

The financial statements highlight the considerable progress that Cobra Biomanufacturing Plc has made in the financial year ended 30 September 2002. We achieved the financial targets we set ourselves for the year and also established a sound financial platform to support the future growth of the newly independent Group. This platform was constructed around a change in our capital structure, the disposal of the R&D business, a placing and listing on the Alternative Investment Market (AIM) and a significant investment in manufacturing people and capital.

## Capital structure and reorganisation

On 6 June 2002 the Company entered into agreements with ML Laboratories Plc, as disclosed in the admission document, to acquire the entire share capital of Cobra Therapeutics Limited, satisfied by the issue of 6 million 10p ordinary shares and the transfer of the research and development division of Cobra Therapeutics Limited to ML Laboratories Plc for a consideration of £3.298 million. The transfer provided the Group with an exceptional profit of £2.394 million, net of reorganisation costs. This transaction has significantly reduced the Group's operating cash burn and enabled the Group to focus on its core business of the manufacture of specialist biopharmaceutical medicines.

## Placing of shares and Alternative Investment Market listing

On 13 June 2002 following admission to the Alternative Investment Market (AIM), the Group issued a further 7 million 10p ordinary shares at £1 each, raising £7.000 million (£6.297 million net of issue costs), allowing the Group to settle its outstanding overdraft and providing the funds required to see the Group through to profitability.

## Capital expansion

The final quarter of the financial year 2002 saw the completion of our £2.040 million capital expansion programme that has resulted in a four-fold increase in the Group's fermentation capacity and a doubling of its virus manufacturing capacity.

## Turnover

The Group achieved turnover of £2.540 million (2001 £1.134 million) an increase of £1.406 million (124%) on the previous year. As our new capacity came on stream late in the final quarter of the financial year 2002, the Group's turnover for the financial year 2002 was derived solely from our existing fermentation capacity.

Turnover was derived from 19 customers and the split by revenue type is as follows:

<b>Revenue Type</b>	<b>(%) Sales</b>
DNA	49%
Protein	22%
Virus	22%
Cell line	7%

Turnover in year ended 30 September 2002 by territory was as follows:

<b>Territory</b>	<b>(%) Sales</b>
UK	33%
North America	22%
Europe	38%
Rest of the World	7%

## Gross profit

The Group has had a change in accounting classification in the financial year 2002 whereby direct manufacturing overheads previously charged to administrative expenses have now been charged to cost of sales. For consistency the financial year 2001 numbers have been restated to reflect the same classification.

As a result gross profit for the financial year 2002 was £0.870 million (2001 £0.272 million) representing 33% of turnover (2001 24%) and was in line with expectations.

## Manufacturing operating loss

The operating losses for the year for the manufacturing business in the financial year 2002 stood at £0.807 million (2001 £0.845 million) and again is in line with expectations, with the final quarter of the financial year 2002 recording a small operating profit.

## Discontinued operations

The R&D business was transferred back to our former parent and resulted in a reduction in the losses associated with this business in the financial year 2002 to £2.520 million (2001 £3.793 million).

## Profitability

The loss before tax for the period amounted to £0.937 million in the financial year 2002 (2001 £4.654 million loss), but with the R&D tax credit of £1.026 million in the year, resulted in an overall profit after tax of £0.089 million (2001 £4.654 million loss).

## Cash

The cash balance (including short deposits) at the end of the financial year stood at £2.615 million (2001 £2.327 million bank overdraft). The increase in cash was due to the placing of shares and the consideration received from the transfer of the discontinued R&D business in June 2002, along with a reduced operating cash outflow of £3.032 million (2001 £3.532 million).

## Treasury policies and financial risk

Surplus funds are intended to support the Group's short-term working capital requirements. These funds are invested through the use of short-term deposits and the policy is to maximise fixed interest returns as well as provide the flexibility required to fund on-going operations. It is not the Group's policy to invest in financial derivatives.

## Interest rate, liquidity and foreign currency risk

Although the financial risks are considered to be minimal at present, future interest rate, liquidity and foreign currency risk could arise and the Board will review its existing policies in the coming period.

- (i) **Interest rate risk** - apart from using short-term deposits there is no further interest rate risk.
- (ii) **Liquidity risk** - surplus funds are invested on a short-term basis at money market rates and therefore such funds are available at very short notice.
- (iii) **Currency risk** - the Group has no overseas assets or liabilities apart from minor trade related debtors and creditors and any currency rate movement have no material impact.



**Peter A Coleman**  
**Finance Director**  
**23 January 2003**

# Report of the Directors

The Directors of Cobra Biomanufacturing Plc present their report to the shareholders, together with the audited financial statements for the year ended 30 September 2002.

## Incorporation and change of reference date

The Company was registered as a public limited company on 20 May 2002.

On 3 August 2002 the Company changed its accounting reference date from 20 May to 30 September.

## Group reconstruction

Under a Group reconstruction on 6 June 2002, the Company acquired the whole of the issued share capital of Cobra Therapeutics Limited, satisfied by the issue and transfer of 6,000,000 ordinary shares of 10p each in the Company.

Cobra Therapeutics Limited is a company incorporated in England & Wales (Registered No. 2710654), and at the time of the reconstruction was a wholly owned subsidiary of ML Laboratories Plc.

The reconstruction has been accounted for in accordance with the principles of merger accounting, as set out in the Financial Reporting Standard No 6 (FRS 6) and in accordance with Schedule 4A of the Companies Act 1985. The financial statements have therefore been presented as if Cobra Therapeutics Limited had been owned and controlled throughout the year ended 30 September 2002.

## Principal activities and trading review

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

A review of the Group's business and activities is contained in the reports of the Chairman and the Chief Executive set out on pages 2 to 3 and pages 4 to 9 respectively.

## Results and dividend

The profit for the period after providing for taxation was £0.089 million (2001 loss £4.654 million) and an equivalent amount has been transferred to reserves. The Directors do not propose the payment of an ordinary dividend.

The accumulated deficit carried forward for the Group amounted to £31.804 million.

A financial review of results is included on pages 12 and 13.

## Post balance sheet events

The Group entered into a DNA vaccine supply agreement with the South African AIDS Vaccine Initiative/Medical Research Council (SAAVI) on 8 November 2002, which will involve the Group supplying DNA for Phase I/II clinical trials and first refusal for Phase III and commercial sale of the vaccine. It has also been agreed that Group will have the right to exploit the vaccine internationally outside of South Africa.

On 10 December 2002 the Group entered into a long-term supply agreement on the manufacture of a cancer gene therapy product with FH Faulding Limited (a subsidiary of Mayne Pharma) in Australia. This agreement covers supply of product for clinical trials and provides a framework for commercial manufacture.

## Directors

The present Directors of the company were appointed on the following dates:

Peter Coleman	20 May 2002	Nigel Slater	6 June 2002 (Non-executive Director)
Peter Fothergill	20 May 2002	David Bloxham	6 June 2002 (Non-executive Director)
David Thatcher	20 May 2002		

As all Directors have been appointed during the year, they will retire in accordance with the company's articles of association and, being eligible, they will each offer themselves for election at the Annual General Meeting.

All Directors are subject to re-election at intervals of no more than three years.

## Corporate governance

The Directors are committed to high standards of corporate governance. The Board is accountable to its shareholders for good corporate governance and is adopting the necessary structures and procedures, where possible and having regard to the size of the Group, to comply with the Combined Code published in June 1998.

The Board considers that both the Non-executive Directors are independent.

The Directors believe that the Group currently complies with most of the Combined Code apart from the requirements to have a formally constituted Nominations Committee and to have three Non-executive Directors on the Audit Committee. The Directors believe that, because of the size of the Board, a Nominations Committee is not required as a recommendation for a new Board appointment will be considered by the whole Board and two independent Non-executive Directors are considered sufficient as members of the Audit Committee.

The Directors have not fully complied with the Code's provisions on internal control as provided by the publication "Internal Control: Guidance for the Directors on the Combined Code" (the Turnbull Report). Whilst the Directors fully accept their responsibility to shareholders for the maintenance of the Group's internal control systems, given the early stage of development of the Group, the Directors concluded that it was not in the interests of shareholders to divert resources to ensure full compliance with the Turnbull guidance for the year ended 30 September 2002. However the Directors will continue to ensure that adequate controls are in place as the Group goes forward with an objective of being compliant with the Turnbull report in the near future.

## The Board

The Board of Directors comprises three Executive Directors and two independent Non-executive Directors, including the Chairman, with a clear division of duties. The Board meets at least six times throughout the year to direct and control strategy and the operating performance of the Group. This includes the approval and monitoring of budgets, reviewing trade performance and determining risk management policies. The Group also has a schedule of matters reserved for the decision of the Board.

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

1. **Audit committee** - comprises the two Non-executive Directors with D P Bloxham as Chairman. The external auditors attend the meetings and report as appropriate. The committee operates within specific terms of reference, which include reviewing the Group's accounting policies, financial reporting, internal control and risk management processes. It also considers the appointment and fees of the external auditors.
2. **Remuneration committee** - comprises the two Non-executive Directors with N K H Slater as Chairman. It recommends to the Board the policy on Executive remuneration and it determines on behalf of the Board, the terms and conditions of service for each Executive Director. The Report on Directors' Remuneration is set out on pages 18 and 19.

## Internal control

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

The Board recognises the need for an effective risk management process and has therefore established the following key procedures:

1. A schedule of matters reserved for the Board. The Board of Directors has overall responsibility for the effective running of the Group and it has a formal schedule of matters, which are specifically reserved for decisions by the Board.
2. The Board meets at least six times a year to manage the affairs of the Group. The Group's financial and operating performance is closely monitored at each Board Meeting with formal Board reports from the Chief Executive and the Finance Director covering their areas of the business.

3. A comprehensive budgetary process is carried out annually and the budget is reviewed and approved by both the Directors and the operational management of the Group.
4. The budget is then monitored against actual monthly performance.
5. An Executive Committee reviews monthly performance of the Group. The Executive Committee is comprised of senior management who operate within a management structure with clearly defined authorisations and procedures.

The Financial Review also provides some further information of the risks the Group faces.

The Directors recognise that internal control is an ongoing process and are currently carrying out a comprehensive review of the internal control systems to ensure that they remain appropriate for the needs of a newly established independent business.

## Relations with Shareholders

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

There is also an opportunity, at the Company's Annual General Meeting (AGM) for individual shareholders to raise general business matters with the full Board and notice of the Company's AGM is circulated to all shareholders at least 21 days before such meeting. The Chairman aims to ensure that the Chairman of the Audit and Remuneration Committees are available at the AGM to answer questions.

The annual report is to be published on the Company's website, [www.cobrabio.com](http://www.cobrabio.com) which also includes press releases and other announcements during the year.

## Policy in respect of supplier payments

The Company and its principal subsidiary undertaking agree terms and conditions for transactions with suppliers and pay suppliers within the agreed time, provided that suppliers comply with those terms and conditions. At 30 September 2002 the trade creditors for the Company represented 21 days of the amounts invoiced by suppliers.

## Environmental policy

The Group recognises the importance of good environmental practice and, whilst its activities have a relatively low environmental impact, the Group's management endeavours to comply at all times, with national government and local authority regulations.

## Charitable and political contributions

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

## Employee involvement

The Group recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Group. An unapproved share option scheme is in place with the intention of the Group to apply for future options to be granted within the Enterprise Management Incentive Scheme.

The Group's employment policies include a commitment to equal opportunity, and are designed to attract and motivate employees regardless of sex, race, religion or disability.

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

## Employee share schemes

Employee involvement in financial performance is encouraged through participation in the Company's share option schemes. At 30 September 2002, 52 employees, including Directors, held options over 695,729 ordinary shares in the Company under the unapproved share option scheme. Further information on share options is shown in note 19 on page 37.

## Major interest in shares

At 30 September 2002, the following persons held interests in excess of 3% of the ordinary share capital:

	<b>Percentage Holding</b>	<b>Number of ordinary shares</b>
ML Laboratories Plc	46.2%	6,000,000
Fidelity Investments	9.8%	1,275,000
Standard Life	7.7%	1,000,000
Legg Mason	6.9%	900,000

No other person has notified an interest in the ordinary share capital of the Company required to be disclosed to the Company in accordance with sections 198 to 208 of the Companies Act 1985.

## Annual General Meeting

The Annual General Meeting of the Company will be held on 28 February 2003 at 11:00am at Collins Stewart Limited, 9th Floor, 88 Wood Street, London, EC2V 7QR. The notice of the Annual General Meeting, together with notes on the resolutions, is on pages 42 and 43.

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

- 1 An ordinary resolution to renew the Directors' authority for the purposes of section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot, or agree to allot, authorised but unissued (and unreserved) Share Capital of the Company. The authority will relate to 4,333,330 ordinary shares of 10p each, representing approximately one third of the current issued Ordinary Share Capital of the Company, and will expire at the conclusion of the Annual General Meeting of the Company to be held in 2004 or, if sooner, 28 May 2004. The Directors have no present intention of exercising the authority which will be conferred by this resolution, other than through the grant of options pursuant to the Company's Share Option Scheme.
- 2 A special resolution to renew until the end of the 2004 Annual General Meeting or, if sooner, 28 May 2004 the Directors' power to allot equity securities (within the meaning of section 94 of the Act) for cash other than pro rata to existing shareholders. This power will relate to allotments in respect of rights issues (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) and to allotments (other than in respect of rights issues) of equity securities having an aggregate nominal value not exceeding £65,000 (being approximately 5% of the issued equity Share Capital of the Company).

In the opinion of the Directors the passing of these resolutions is in the best interest of the shareholders.

## Auditors

Ernst & Young LLP were appointed auditors on 20 May 2002. They have expressed their willingness to continue in office and a resolution to reappoint them as auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

**By order of the board**



**E M S Baker**  
**Company Secretary**  
**23 January 2003**

# Report on Directors' remuneration

## Remuneration committee

The Remuneration committee comprises the two Non-executive Directors with N K H Slater as Chairman. The committee provides advice and recommendations to the Board regarding the framework for Executive remuneration and the individual remuneration package of each Executive Director.

## Remuneration policy

The remuneration policy for Executive Directors is to provide competitive compensation packages to attract, retain and motivate high calibre people in competition with Directors of similar public companies.

The main components of the remuneration of Executive Directors comprise:

1. **Service contracts** - the Executive Directors each have service contracts with a notice period between six and twelve months, to be given by either the Director or the Company. There are no special provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly. D P Bloxham and N K H Slater have been appointed Non-executive Directors for a fixed term until 6 June 2003 and their agreements are terminable upon a three months notice period thereafter by either themselves or by the Company. The Executive Directors determine the remuneration of the Non-executive Directors without reference to the Remuneration committee. The Non-executive Directors only receive fees for their services and do not participate in any of the incentive or benefit schemes of the Company.
2. **Basic salary and benefits** - basic salaries of Directors are determined annually after a review of the performance of each individual and taking professional advice on comparators within the sector. Benefits principally comprise provision for private healthcare, death and disability in service cover.
3. **Bonuses** - the Executive Directors are eligible for bonus payments at the discretion of the Remuneration committee and such discretion will be exercised based upon the performance of the Group. The Remuneration committee awarded P A Coleman a bonus for his contribution to the company's listing on the Alternative Investment Market. No other bonuses were awarded for year ended 30 September 2002.
4. **Share options** - the Company has an unapproved share option scheme whereby options to acquire ordinary shares may be granted at the discretion of the Board, with the approval of the Remuneration Committee to Directors and employees of the company. Further details of the awards to Directors, are set out on page 19.
5. **Pensions** - the Company administers a defined contribution personal pension scheme.

It is the intention of the Remuneration committee to review the remuneration packages of the Executive Directors during the forthcoming financial year and to make recommendations to the Board of Directors for the introduction of an appropriate bonus incentive scheme, linked to personal and Group targets for both Directors and staff.

# Report on Directors' remuneration

## Directors' remuneration

	Basic salary commission and fees £	Bonus £	Benefits £	Total 2002 £	Total 2001 £	Pension 2002 £	Pension 2001 £
<b>Executive Directors</b>							
D R Thatcher	37,950	-	481	38,431	-	2,415	-
G P Fothergill	29,615	-	403	30,018	-	4,442	-
P A Coleman	19,800	7,000	264	27,064	-	1,260	-
<b>Non-executive Directors</b>							
D P Bloxham	5,400	-	-	5,400	-	-	-
N K H Slater	5,375	-	-	5,375	-	-	-
<b>Total</b>	<b>98,140</b>	<b>7,000</b>	<b>1,148</b>	<b>106,288</b>	<b>-</b>	<b>8,117</b>	<b>-</b>

The Director's remuneration is from the dates of appointment listed on page 14.

## Director share interests

As at 30 September 2002, the directors had the following beneficial interests in shares and share options.

	Ordinary shares of 10p each		Share options	
	2002 No	2001 No	2002 No	2001 No
D R Thatcher	10,000	-	230,000	-
G P Fothergill	10,000	-	200,000	-
P A Coleman	2,500	-	60,000	-
D P Bloxham	5,000	-	-	-
N K H Slater	-	-	-	-

On 13 June 2002 the Company granted options in favour of D R Thatcher, G P Fothergill and P A Coleman over 230,000, 200,000 and 60,000 respectively. Each of the options are exercisable after the third anniversary of the grant at £1.00 per share conditional on the option holder remaining a Director of the Company at the date of exercise of any option.



## Statement of Directors' responsibilities in respect of the accounts

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

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

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

### Going concern

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

# Report of the auditors to the members of Cobra Biomanufacturing Plc

We have audited the Group's financial statements for the year ended 30 September 2002, which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, Group Statement of Total Recognised Gains and Losses and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors responsibilities on page 20.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person;

1. Is a person who is entitled to rely on this report by virtue of and for the purpose of the Act; or
2. Has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

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

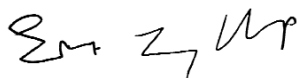
## Basis of audit opinion

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

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young LLP**  
**Registered Auditor**  
**Manchester**  
**23 January 2003**

# Group profit and loss account for the year ended 30 September 2002

	Notes	2002 £	Restated 2001 £
<b>Turnover</b>			
Continuing operations		<b>2,539,812</b>	1,134,074
Discontinued operations		<b>30,000</b>	14,435
Group turnover	<b>2</b>	<b>2,569,812</b>	1,148,509
Cost of sales	<b>3&amp;4</b>	<b>(1,700,067)</b>	(876,595)
<b>Gross profit</b>		<b>869,745</b>	271,914
Research and development	<b>4</b>	<b>(1,916,254)</b>	(2,743,113)
Sales marketing and distribution costs	<b>4</b>	<b>(65,015)</b>	(43,020)
Administrative expenses	<b>3&amp;4</b>	<b>(2,215,260)</b>	(2,124,459)
<b>Operating loss</b>			
Continuing operations		<b>(806,524)</b>	(845,298)
Discontinued operations		<b>(2,520,260)</b>	(3,793,380)
<b>Group operating loss</b>	<b>4</b>	<b>(3,326,784)</b>	(4,638,678)
Profit on transfer of discontinued operations	<b>5</b>	<b>2,517,810</b>	-
Reorganisation costs	<b>5</b>	<b>(123,501)</b>	-
<b>Loss on ordinary activities before investment income, interest and taxation</b>		<b>(932,475)</b>	(4,638,678)
Bank interest receivable	<b>7</b>	<b>27,264</b>	409
Interest payable	<b>7</b>	<b>(32,184)</b>	(15,826)
<b>Loss before tax</b>		<b>(937,395)</b>	(4,654,095)
<b>Taxation</b>	<b>8</b>	<b>1,025,992</b>	-
<b>Retained profit/(loss) for the year</b>		<b>88,597</b>	(4,654,095)
<b>Earnings/(loss) per share</b>			
Basic	<b>10</b>	<b>1.1p</b>	(77.6)p
Adjusted	<b>10</b>	<b>(10.0)p</b>	(14.3)p
Diluted	<b>10</b>	<b>1.1p</b>	(77.6)p

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit for the year of £88,597 in the year ended 30 September 2002 and the loss of £4,654,095 in the year ended 30 September 2001.

## Balance sheet at 30 September 2002

	Notes	Group 2002 £	Group 2001 £	Company 2002 £
<b>Fixed assets</b>				
Tangible assets	11	2,168,393	920,222	-
Investments	12	-	-	600,000
		<b>2,168,393</b>	920,222	<b>600,000</b>
<b>Current assets</b>				
Stocks and work in progress	13	441,178	346,931	-
Debtors	14	2,373,389	895,392	4,001,208
Cash		2,614,546	333	2,509,737
		<b>5,429,113</b>	1,242,656	<b>6,510,945</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(2,612,744)</b>	(3,636,285)	<b>(217,430)</b>
<b>Net current assets/(liabilities)</b>		<b>2,816,369</b>	(2,393,629)	<b>6,293,515</b>
<b>Total assets less current liabilities</b>		<b>4,984,762</b>	(1,473,407)	<b>6,893,515</b>
<b>Current liabilities</b>				
Creditors: amounts falling due after more than one year	16	(162,292)	(90,557)	-
<b>Net assets/(liabilities)</b>		<b>4,822,470</b>	(1,563,964)	<b>6,893,515</b>
<b>Capital and reserves</b>				
Called up share capital	20	1,300,000	600,000	1,300,000
Share premium	20	5,597,837	-	5,597,837
Merger reserve	20	29,728,872	29,728,872	-
Profit and loss account	20	(31,804,239)	(31,892,836)	(4,322)
<b>Equity Shareholders' Funds/(Deficit)</b>		<b>4,822,470</b>	(1,563,964)	<b>6,893,515</b>

Approved by the Board on



**David Thatcher**  
Chief Executive  
23 January 2003



**Peter A Coleman**  
Finance Director  
23 January 2003

# Group statement of cash flows for the year ended 30 September 2002

	Notes	2002 £	2001 £
<b>Net cash outflow from operating activities</b>	<b>21</b>	<b>(3,031,757)</b>	(3,532,227)
<b>Returns on investment and servicing of finance</b>			
Interest received		<b>27,264</b>	409
Interest element of finance lease rental payments		<b>(32,184)</b>	(15,826)
		<b>(4,920)</b>	(15,417)
<b>Taxation</b>			
R&D tax credit		<b>239,608</b>	-
		<b>239,608</b>	-
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		<b>(2,040,253)</b>	(381,161)
		<b>(2,040,253)</b>	(381,161)
<b>Acquisitions and Disposals</b>			
Transfer of discontinued operations		<b>3,298,391</b>	-
Reorganisation costs		<b>(123,501)</b>	-
		<b>3,174,890</b>	-
<b>Net cash inflow before the management of liquid resources and financing</b>		<b>(1,662,432)</b>	(3,928,805)
<b>Management of liquid resources</b>			
Increase in short-term deposits		<b>(2,350,000)</b>	-
<b>Financing</b>			
Issue of ordinary shares		<b>7,000,000</b>	-
Share issue costs		<b>(702,163)</b>	-
Repayment of capital element of finance leases		<b>(81,469)</b>	(48,414)
Lease finance acquired		<b>400,598</b>	116,189
Decrease increase in amount owed to former parent undertaking		<b>(13,804)</b>	(264,414)
		<b>6,603,162</b>	(196,639)
<b>Increase/(decrease) in cash</b>		<b>2,590,730</b>	(4,125,444)

## Reconciliation of net cash flow to movement in net funds

	<b>2002</b>	2001
	<b>£</b>	£
Increase/(decrease) in cash	<b>2,590,730</b>	(4,125,444)
Repayment of capital element of finance leases	<b>81,469</b>	48,414
Lease finance acquired	<b>(400,598)</b>	(116,189)
Decrease in amount owed to former parent undertaking	<b>13,804</b>	264,414
Cash outflow to short term deposits	<b>2,350,000</b>	-
<hr/>		
Change in net funds/(debt) resulting from cash flow	<b>4,635,405</b>	(3,928,805)
Other	<b>164,001</b>	-
<hr/>		
Movement in net funds/(debt) during the period	<b>4,799,406</b>	(3,928,805)
Net (debt)/funds at the start of the year	<b>(2,478,583)</b>	1,450,222
<hr/>		
Net funds/(debt) at the end of the year	<b>2,320,823</b>	(2,478,583)
<hr/>		

# Notes to the financial statements for the year ended 30 September 2002

## 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 Therapeutics Limited up to 30 September 2002. No profit and loss account is presented for Cobra Biomanufacturing Plc as permitted by section 230 of the Companies Act 1985.

The Company was incorporated on 20 May 2002.

Under a Group reconstruction on 6 June 2002 the Company acquired the whole of the issued share capital of Cobra Therapeutics Limited in exchange for shares.

The reconstruction has been accounted for in accordance with the principles of merger accounting set in the Financial Reporting Standard No 6 (FRS 6) and in accordance with Schedule 4a of the Companies Act 1985. The financial statements have therefore been presented as if Cobra Therapeutics Limited had been owned and controlled by the Company throughout the year ended 30 September 2002. The Company was incorporated on 20 May 2002 and therefore the accounts for the year ended 30 September 2001 do not represent the statutory comparatives of the Group.

### 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.

Licence income is credited to the profit and loss account when received.

### Depreciation

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

Plant and equipment	between 6.67 and 10 years
Office equipment	4 years
Short leasehold building improvements	6.67 years

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.

### 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.

# Notes to the financial statements for the year ended 30 September 2002

## 1. Accounting policies (continued)

### Research and development

Research and development expenditure is written off in the period in which it is incurred, 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.

### Pension costs

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

## 2. Turnover and segmental analysis

### (a) Group turnover by geographic segments

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

	2002 £	2001 £
<b>Continuing</b>		
United Kingdom	842,714	396,479
North America	553,280	301,078
Europe	971,737	436,517
Rest of the World	172,081	-
	<b>2,539,812</b>	1,134,074
<b>Discontinued</b>		
United Kingdom	10,000	-
North America	20,000	4,435
Europe	-	10,000
	<b>30,000</b>	14,435
	<b>2,569,812</b>	1,148,509

# Notes to the financial statements for the year ended 30 September 2002

## (b) Segmental analysis by class of business

The Group operates in two principal areas of activity, that of contract manufacture and licensing.

The analysis by class of business of the Group's turnover, loss on ordinary activities before tax and net assets/(liabilities) is as follows:

	Contract Manufacture		Licensing		Total	
	2002	2001	2002	2001	2002	2001
	£	£	£	£	£	£
<b>Group turnover</b>						
Continuing	<b>2,539,812</b>	1,134,074	-	-	<b>2,539,812</b>	1,134,074
Discontinued	-	-	<b>30,000</b>	14,435	<b>30,000</b>	14,435
	<b>2,539,812</b>	1,134,074	<b>30,000</b>	14,435	<b>2,569,812</b>	1,148,509
Cost of sales	<b>(1,700,067)</b>	(876,595)	-	-	<b>(1,700,067)</b>	(876,595)
Research and development	<b>(219,852)</b>	(220,910)	<b>(1,696,402)</b>	(2,522,203)	<b>(1,916,254)</b>	(2,743,113)
Selling, marketing and distribution	<b>(34,843)</b>	(21,510)	<b>(30,172)</b>	(21,510)	<b>(65,015)</b>	(43,020)
Administration expenses	<b>(1,391,574)</b>	(860,357)	<b>(823,686)</b>	(1,264,102)	<b>(2,215,260)</b>	(2,124,459)
<b>Segmental operating loss</b>	<b>(806,524)</b>	(845,298)	<b>(2,520,260)</b>	(3,793,380)	<b>(3,326,784)</b>	(4,638,678)
Profit on transfer of discontinued operations					<b>2,517,810</b>	-
Reorganisation costs					<b>(123,501)</b>	-
Bank interest receivable					<b>27,264</b>	409
Interest payable					<b>(32,184)</b>	(15,826)
<b>Loss before taxation</b>					<b>(937,395)</b>	(4,654,095)
<b>Net assets</b>	<b>2,501,647</b>	1,384,734	-	345,364	<b>2,501,647</b>	1,730,098
The net assets are reconciled to shareholders' funds/(deficit) as follows:						
Net assets					<b>2,501,647</b>	1,730,098
Debtors					-	240,846
Creditors					-	(1,056,325)
Cash at bank and in hand					<b>2,614,546</b>	333
Bank overdraft					-	(2,326,517)
Corporation tax					<b>786,385</b>	-
Amounts owed to parent undertaking					<b>(786,385)</b>	(13,804)
Obligations under finance leases					<b>(293,723)</b>	(138,595)
<b>Net assets/(liabilities)</b>					<b>4,822,470</b>	(1,563,964)

# Notes to the financial statements for the year ended 30 September 2002

## 3. Restatement of results

There has been a change in accounting classification whereby direct manufacturing overheads previously charged to administrative expenses have now been charged to cost of sales. For consistency the 2001 numbers have been restated to reflect the same classification as follows:

	2002 £	Restated 2001 £
Administrative expenses before reclassification	2,781,254	2,614,163
Costs previously classified as administrative expenses moved to cost of sales	(565,994)	(489,704)
<b>Administrative expenses after reclassification</b>	<b>2,215,260</b>	<b>2,124,459</b>

## 4. Operating loss

	2002 £	2001 £
This is stated after charging		
Auditor's remuneration		
- audit services	17,000	7,835
- non audit services	5,000	325
Sale of tangible assets	1,702	-
Depreciation of owned assets	371,333	398,707
Depreciation of assets held under finance leases	61,660	20,952
Operating leases		
- hire of other assets	3,632	20,050
- rental of premises	192,431	262,499

£8,500 of audit fees and £2,500 of non audit fees relates to the Company.

The allocation of operating costs between continuing and discontinued operations are as follows:

	2002 £	Restated 2001 £
<b>Cost of sales</b>		
Continuing	1,700,067	876,595
Discontinued	-	-
<b>Total</b>	<b>1,700,067</b>	<b>876,595</b>
<b>Research and development</b>		
Continuing	219,852	220,910
Discontinued	1,696,402	2,522,203
<b>Total</b>	<b>1,916,254</b>	<b>2,743,113</b>
<b>Selling, marketing and distribution costs</b>		
Continuing	34,843	21,510
Discontinued	30,172	21,510
<b>Total</b>	<b>65,015</b>	<b>43,020</b>
<b>Administrative expenditure</b>		
Continuing	1,391,574	860,357
Discontinued	823,686	1,264,102
<b>Total</b>	<b>2,215,260</b>	<b>2,124,459</b>

# Notes to the financial statements for the year ended 30 September 2002

## 5. Exceptional items

Recognised below operating loss;

### (a) Profit on transfer of discontinued operations

On 6 June 2002 the Group entered into an agreement with ML Laboratories Plc to transfer the Research and Development division of Cobra Therapeutics Limited to ML Laboratories Plc. Details of the transaction are as follows:

	2002 £
<b>Consideration received</b>	<b>3,298,391</b>
Tangible assets	359,089
Stock	67,899
Debtors	1,169,355
Creditors	(815,762)
<b>Total net assets transferred</b>	<b>780,581</b>
<b>Profit on transfer of business</b>	<b>2,517,810</b>

The agreement defined the consideration for the discontinued R&D business as the bank overdraft of Cobra Therapeutics Limited at 12 June 2002 in excess of £3 million attributable to the continuing operations, plus the amounts owed by Cobra Therapeutics Limited to ML Laboratories Plc.

A transfer of cash from ML Laboratories Plc to the bank account of Cobra Therapeutics Limited satisfied the consideration.

Details of the calculation are as follows:

	2002 £
Bank overdraft attributable to the R&D business	3,266,097
Amounts owed to former parent undertaking at 12 June 2002	32,294
<b>Consideration received</b>	<b>3,298,391</b>

### (b) Reorganisation costs

The professional costs associated with the transfer of the discontinued operations were £123,501.

# Notes to the financial statements for the year ended 30 September 2002

## 6. Staff costs

	<b>2002</b>	2001
	<b>£</b>	£
Wages and salaries	<b>2,123,886</b>	2,152,817
Social security costs	<b>200,672</b>	207,109
Other pension costs	<b>96,733</b>	126,759
	<b>2,421,291</b>	2,486,685

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

	<b>2002</b>	2001
	<b>No</b>	No
Manufacturing	<b>37</b>	23
Research and development	<b>23</b>	37
Administration	<b>14</b>	9
	<b>74</b>	69

Details for each Director, of remuneration, pension entitlement and interests in share options are set out on pages 18 and 19.

## 7. Investment income and interest payable

	<b>2002</b>	2001
	<b>£</b>	£
Income from short-term investments	<b>27,264</b>	409
Interest payable on finance leases	<b>32,184</b>	15,826

# Notes to the financial statements for the year ended 30 September 2002

## 8. 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 2000, 30 September 2001 and 30 September 2002.

	2002 £	2001 £
<b>Taxation on loss on ordinary activities</b>		
<b>UK corporation tax</b>		
UK corporation tax on loss of the period	(289,862)	-
Adjustments in respect of previous periods	(736,130)	-
<b>Total current tax</b>	<b>(1,025,992)</b>	-

### Factors that may affect the tax charge for the period

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

	2002 £	2001 £
Loss on ordinary activities before tax	(937,395)	(4,654,095)
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2001 30%)	(281,219)	(1,396,229)
<b>Effect of</b>		
Disallowed expenses and non taxable income	(866,317)	3,150
Capital allowances in excess of depreciation	(93,259)	(102,861)
Other timing differences	-	(150)
Adjustments in respect of previous periods	(736,130)	-
Tax losses	697,303	1,806,416
Difference in tax rates on losses used for R&D tax claim	253,630	-
R&D claim	-	(310,326)
<b>Current tax charge for the period</b>	<b>(1,025,992)</b>	-

### Factors that may affect future charges

Trading losses associated with the Research and Development business, which was disposed of in the period, are estimated to be in the region of £15 million and these losses have been transferred as part of the business disposed of. The effect of this on the Group has been to reduce the trading losses carried forward available for set off against future profits arising from the same trade to approximately £14 million.

The Group has deferred tax assets of £8,452,262 at 30 September 2001 and £3,956,023 at 30 September 2002, which have arisen mainly due to trading losses carried forward. The deferred tax asset has not been provided for because it is uncertain whether the trading losses giving rise to the asset will be utilised in the foreseeable future.

# Notes to the financial statements for the year ended 30 September 2002

## 9. Loss attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £4,322.

## 10. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on earnings of £88,597 (2001 £4,654,095 loss) and on 8,128,767 (2001 6,000,000) ordinary shares being the weighted average number of shares in issue during the year.

	<b>2002</b>	2001
	<b>No</b>	No
Basic weighted average number of shares	<b>8,128,767</b>	6,000,000
Dilutive potential ordinary shares:		
Employee share options	-	-
	<b>8,128,767</b>	6,000,000

The adjusted earnings per share is shown to highlight the underlying earnings trend and is calculated using the same number of ordinary shares as the basic earnings calculation referred to above and the amounts shown below:

	<b>2002</b>	2001
	<b>£</b>	£
Profit/(loss) for the financial year	<b>88,597</b>	(4,654,095)
<b>Adjustments</b>		
Profit on transfer of R&D operations	<b>(2,517,810)</b>	-
Reorganisation costs	<b>123,501</b>	-
Discontinued R&D operations	<b>2,520,260</b>	3,793,380
R&D tax credit	<b>(1,025,992)</b>	-
<b>Adjusted earnings</b>	<b>(811,444)</b>	(860,715)

# Notes to the financial statements for the year ended 30 September 2002

## 11. Tangible fixed assets

	Plant and equipment £	Office equipment £	Short leasehold building improvements £	Total £
<b>Cost</b>				
At 1 October 2001	2,669,630	415,734	1,845,427	4,930,791
Additions	1,980,751	59,502	-	2,040,253
Disposals	(10,378)	-	-	(10,378)
Transfer of discontinued R&D assets	(1,463,389)	(47,839)	-	(1,511,228)
<b>At 30 September 2002</b>	<b>3,176,614</b>	<b>427,397</b>	<b>1,845,427</b>	<b>5,449,438</b>
<b>Depreciation</b>				
At 1 October 2001	1,957,317	298,964	1,754,288	4,010,569
Charge for the year	292,755	49,099	91,139	432,993
Disposals	(10,378)	-	-	(10,378)
Transfer of discontinued R&D assets	(1,144,703)	(7,436)	-	(1,152,139)
<b>At 30 September 2002</b>	<b>1,094,991</b>	<b>340,627</b>	<b>1,845,427</b>	<b>3,281,045</b>
<b>Net book value</b>				
<b>At 30 September 2002</b>	<b>2,081,623</b>	<b>86,770</b>	<b>-</b>	<b>2,168,393</b>
At 30 September 2001	712,313	116,770	91,139	920,222

The net book value of tangible fixed assets includes £299,782 (2001 £205,352) in respect of assets held under finance leases.

## 12. Investments

Company	£
Additions	600,000
<b>At 30 September 2002</b>	<b>600,000</b>

On 6 June 2002 the Company entered into an agreement, as disclosed in the admission document, to acquire the entire share capital of Cobra Therapeutics Limited, satisfied by the issue of 5,999,980 ordinary shares of 10p each credited as fully paid together with 20 issued ordinary shares of 10p each.

# Notes to the financial statements for the year ended 30 September 2002

## 13. Stocks and work in progress

	2002 £	2001 £	Company 2002 £
Raw materials & consumables	125,903	157,532	-
Work in progress	315,275	189,399	-
	<b>441,178</b>	346,931	-

## 14. Debtors

	2002 £	2001 £	Company 2002 £
Trade debtors	1,267,878	464,654	-
Amounts owed by group undertakings	-	-	3,903,000
Corporation tax	786,385	-	-
Other debtors	101,520	292,263	71,606
Prepayments	217,606	138,475	26,602
	<b>2,373,389</b>	895,392	<b>4,001,208</b>

Included in amounts owed by group undertakings for the Company is £3,903,000 falling due after more than one year.

## 15. Creditors: amounts falling due within one year

	2002 £	2001 £	Company 2002 £
Bank overdraft	-	2,326,517	-
Obligations under finance leases	131,431	65,320	-
Trade creditors	899,821	709,835	206,195
Amount payable to former parent undertaking	786,385	-	-
Other taxation and social security costs	41,550	60,221	-
Deferred income	519,669	191,601	-
Other creditors	64,998	67,328	-
Accruals	168,890	215,463	11,235
	<b>2,612,744</b>	3,636,285	<b>217,430</b>

# Notes to the financial statements for the year ended 30 September 2002

## 16. Creditors: amounts falling due after one year

	<b>2002</b>	2001	<b>Company</b>
	£	£	<b>2002</b>
			£
Obligations under finance leases	<b>162,292</b>	73,275	-
Amount owed to former parent company	-	13,804	-
Amount owed to former other Group undertakings	-	3,478	-
	<b>162,292</b>	90,557	-

## 17. Obligations under finance leases

	<b>2002</b>	2001	<b>Company</b>
	£	£	<b>2002</b>
			£
Payable within one year	<b>131,431</b>	65,320	-
Payable between one and two years	<b>114,979</b>	62,219	-
Payable between two and five years	<b>47,313</b>	11,056	-
	<b>293,723</b>	138,595	-

## 18. Other financial commitments

At 30 September 2002 the Group had annual commitments under non-cancellable operating leases as follows:

	<b>Land and Buildings</b>		<b>Other</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	£	£	£	£
Expiring within one year	<b>44,020</b>	69,600	-	988
Expiring between one and two years	-	-	<b>1,541</b>	-
Expiring between two and five years	-	-	<b>191</b>	1,602
Expiring in greater than five years	<b>77,221</b>	154,442	-	382
	<b>121,241</b>	224,042	<b>1,732</b>	2,972

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

# Notes to the financial statements for the year ended 30 September 2002

## 19. Called up share capital

	No	2002 £
<b>Authorised</b>		
Ordinary shares of 10p each	20,000,000	2,000,000
<hr/>		
	No	2002 £
<b>Allocated, called up and fully paid</b>		
Issued subscriber shares	2	2
Sub division of ordinary shares	18	-
Issued to former shareholders of Cobra Therapeutics Limited	5,999,980	599,998
Issued on admission to Alternative Investment Market	7,000,000	700,000
<hr/>		
	<b>13,000,000</b>	<b>1,300,000</b>

On 20 May 2002 the Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two were issued fully paid.

On 6 June 2002 the authorised share capital was increased to £2,000,000 and each ordinary share was sub-divided into 10p ordinary shares.

On 6 June 2002 the Company entered into an agreement, as disclosed in the admission document, to acquire the entire share capital of Cobra Therapeutics Limited, satisfied by the issue of 5,999,980 ordinary shares of 10p each credited as fully paid together with 20 issued ordinary shares of 10p each.

On 7 June 2002 the Company entered into a placing agreement with Collins Stewart, as disclosed in the admission document, to issue to Collins Stewart a warrant to subscribe for 390,000 ordinary shares at the placing price of £1.00. The warrant is exercisable at any time up to the fifth anniversary of the Group's Admission to the Alternative Investment Market on 13 June 2002.

On 13 June 2002 following admission to the Alternative Investment Market of the London Stock Exchange, 7,000,000 ordinary shares of 10p each were issued at a price of £1 per ordinary share.

On 13 June 2002 the Company granted 695,729 options to all eligible employees under the unapproved share option scheme. Each of the options are exercisable after the third anniversary of the grant at £1.00 per share conditional on the option holder remaining an employee of the Company at the date of exercise of any option.

# Notes to the financial statements for the year ended 30 September 2002

## 20. Reconciliation of shareholders' funds and movement on reserves

### Group

	Share Capital £	Share Premium £	Merger Reserve £	Profit and Loss Account £	Total £
At 1 October 2000					
As previously reported Cobra Therapeutics Limited	1,388,991	28,939,881	-	(27,238,741)	3,090,131
Merger adjustment	(788,991)	(28,939,881)	29,728,872	-	-
At 1 October 2000 restated	600,000	-	29,728,872	(27,238,741)	3,090,131
Loss for the year	-	-	-	(4,654,095)	(4,654,095)
As at 1 October 2001 restated	600,000	-	29,728,872	(31,892,836)	(1,563,964)
Issue of shares	700,000	6,300,000	-	-	7,000,000
Issue costs	-	(702,163)	-	-	(702,163)
Profit for the year	-	-	-	88,597	88,597
<b>At 30 September 2002</b>	<b>1,300,000</b>	<b>5,597,837</b>	<b>29,728,872</b>	<b>(31,804,239)</b>	<b>4,822,470</b>

### Company

	Share Capital £	Share Premium £	Profit and Loss Account £	Total £
Issued subscriber shares	2	-	-	2
Shares issued to former shareholders of Cobra Therapeutics Limited	599,998	-	-	599,998
Issue of shares	700,000	6,300,000	-	7,000,000
Issue costs	-	(702,163)	-	(702,163)
Loss for the year	-	-	(4,322)	(4,322)
<b>At 30 September 2002</b>	<b>1,300,000</b>	<b>5,597,837</b>	<b>(4,322)</b>	<b>6,893,515</b>

The Group reconstruction has been accounted for in accordance with the principles of merger accounting. For this reason the Group balance sheet has been restated to reflect the effect of the merger, which resulted in Cobra Biomanufacturing Plc acquiring the entire share capital of Cobra Therapeutics Limited, satisfied by the issue of 5,999,980 ordinary shares of 10p each credited as fully paid together with the 20 issued ordinary shares of 10p each.

# Notes to the financial statements for the year ended 30 September 2002

## 21. Notes to the statement of cash flows

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

	2002 £	2001 £
Operating loss	<b>(3,326,784)</b>	(4,638,678)
Depreciation of tangible fixed assets	<b>432,993</b>	419,689
(Increase) in stock	<b>(162,146)</b>	(157,532)
(Increase)/decrease in debtors	<b>(834,975)</b>	377,906
Increase in creditors	<b>859,155</b>	466,388
<b>Net cash outflow from operating activities</b>	<b>(3,031,757)</b>	(3,532,227)

### (b) Analysis of net movement in net funds

	2001 £	Cash Flow £	Non cash Flow £	2002 £
Cash at bank and in hand	333	264,213	-	<b>264,546</b>
Bank overdraft	(2,326,517)	2,326,517	-	-
	(2,326,184)	2,590,730	-	<b>264,546</b>
Short-term deposits*	-	2,350,000	-	<b>2,350,000</b>
Amounts owed to former parent undertaking	(13,804)	13,804	-	-
Finance leases	(138,595)	(319,129)	164,001	<b>(293,723)</b>
	(2,478,583)	4,635,405	164,001	<b>2,320,823</b>

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

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

## 22. Post balance sheet events

The Group entered into a DNA vaccine supply agreement with the South African AIDS Vaccine Initiative/Medical Research Council (SAAVI) on 8 November 2002, which will involve the Group supplying DNA for phase I/II clinical trials and first refusal for phase III and commercial sale of the vaccine. It has also been agreed that Group will have the right to exploit the vaccine internationally outside of South Africa.

On 10 December 2002 the Group entered into a long-term supply agreement on the manufacture of a cancer gene therapy product with FH Faulding Limited (a subsidiary of Mayne Pharma) in Australia. This agreement covers supply of product for clinical trials and provides a framework for commercial manufacture.

# Notes to the financial statements for the year ended 30 September 2002

## 23. Financial instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating the risks of the Group can be found on page 13. The Group's policy is not to enter into derivative transactions. 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 and finance leases.

The Group's policy during the year ended 30 September 2002 was to place the majority of its cash on short-term deposit with its principal banker 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 cash deposits which are typically floating rate.

As permitted by Financial Reporting Standard No 13 the disclosures below exclude short-term debtors and creditors.

### Interest rate risk profile of financial assets

	Financial assets on which no interest is earned £	Floating rate financial assets £	Total £
<b>Sterling</b>			
<b>As at 30 September 2002</b>	<b>264,546</b>	<b>2,350,000</b>	<b>2,614,546</b>
<hr/>			
Sterling			
As at 1 October 2001	333	-	333

Floating rate financial assets comprise cash deposits on money market deposit at call.

### Interest rate risk profile of financial liabilities

	Fixed rate financial liabilities £	Floating rate financial liabilities £	Total £
<b>Sterling</b>			
<b>As at 30 September 2002</b>	<b>293,723</b>	<b>-</b>	<b>293,723</b>
<hr/>			
Sterling			
As at 1 October 2001	138,595	2,326,517	2,465,112

The weighted average interest rate on fixed rate financial liabilities at 30 September 2002 was 3.1% (2001 11.3%).

The weighted average period to maturity of fixed rate financial liabilities at 30 September 2002 was 27 months (2001 23 months).

# Notes to the financial statements for the year ended 30 September 2002

The fixed rate financial liabilities were confined to obligations under finance leases. Floating rate financial instruments comprise bank overdraft with rates of interest based upon the Bank of England's base rate.

## Maturity of financial liabilities

The maturity profile of the Group's financial liabilities as at 30 September 2002 was

	2002	2001
	£	£
Payable within one year	131,431	2,391,837
Payable between one and two years	114,979	62,219
Payable between two and five years	47,313	11,056
	<hr/> <b>293,723</b>	<hr/> <b>2,465,112</b>

## Borrowing facility

At the year end the Group did not have an overdraft 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.

## 24. Related party transactions

During the year, the Group sold goods in the normal course of business to ML Laboratories Plc, its former parent undertaking and currently a 46% shareholder, for £260,600 (2001 £nil), £102,557 of which related to an agreement entered into on 6 June 2002 in which ML Laboratories Plc would continue to occupy a proportion of the property leased by the Group in return for an annual license fee and an agreed contribution to the shared facility costs.

The Group also purchased goods in the normal course of business from ML Laboratories Plc for £58,788.

At the balance sheet date the amount owed from ML Laboratories Plc was £69,076 and the amount due was £176,760.

The Group also sold goods in the normal course of business to Evolutec Limited for £71,936. The Chief Executive of Evolutec Limited is David Bloxham, a Non-executive Director of the Company. At the balance sheet date the amount due from Evolutec Limited was £359.

## 25. Pension commitments

The Group operates a defined contribution personal 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 pension costs charge represents contributions payable by the Group under the scheme and amounted to £96,733 (2001 £126,759). Contributions totalling £9,217 (2001 £nil) were payable at the year end.

# Notice of Annual General Meeting

**Notice is hereby given** that the Annual General Meeting will be held on 28 February 2003 at 11:00 am at the offices of Collins Stewart Limited, 9th Floor, 88 Wood Street, London, EC2V 7QR.

## Ordinary business

1. To receive the Company's annual accounts for the financial year ended 30 September 2002 together with the last Directors' report, the last Directors' remuneration report and the auditors' report on the accounts and the auditable part of the remuneration report.
2. To re-appoint as a Director, David Bloxham.
3. To re-appoint as a Director, Peter Coleman.
4. To re-appoint as a Director, Peter Fothergill.
5. To re-appoint as a Director, Nigel Slater.
6. To re-appoint as a Director, David Thatcher.
7. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.

## Special business

To consider and, if thought fit, (and subject in the case of resolution 9 to the passing of resolution 8) pass the following resolutions which (in the case of resolution 8) will be proposed as an ordinary resolution and (in the case of resolution 9) will be proposed as a special resolution:

- 8 That the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") (in substitution for all existing authorities under the said section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £433,333 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, 28 May 2004) and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry.
- 9 That the Directors of the Company be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred upon the Directors in accordance with section 80 of the Act on 28 February 2003 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that, by reason of such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
  - (b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £65,000;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier on 28 May 2004), save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.

**By order of the Board**

**Registered in England No.4442927**



**E M S Baker**  
**Company Secretary**  
**23 January 2003**

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

# Notice of Annual General Meeting (continued)

## Notes:

1. Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
2. The register of Directors' interests in the Company's shares and copies of the Directors' service contracts will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting from fifteen minutes before the meeting until its close.
3. An explanation of the special business is given on page 17.
4. In accordance with regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered in the Company's register of members on 5:00pm on 26 February 2003 will be entitled to attend or vote at the meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time.

## Shareholder information

### Financial information

Interim results for the six months to 31 March in June.

Final results for the year to 30 September in December.

### Annual General Meeting

The Annual General Meeting will be held on 28 February 2003 at 11:00 am at the offices of Collins Stewart Limited, 9th Floor, 88 Wood Street, London, EC2V 7QR. The notice of the meeting is set out on page 42.

### Share price information

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

### Company website

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

### Shareholder Enquiries

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

Shareholders wishing to consolidate two or more individual certificates may do so by writing to Capita Registrars at the address given on page 44, enclosing the certificates to be consolidated.

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

## Directors, registered office and advisors

### Directors

Geoffrey Peter Fothergill  
(Executive Chairman)

David Robert Thatcher  
(Chief Executive)

Peter Alistair Coleman  
(Finance Director)

David Philip Bloxham  
(Independent Non-executive Director)

Nigel Kenneth Harry Slater  
(Independent Non-executive Director)

### Company Secretary

Edward Matthew Scott Baker  
Cobbetts & Co  
Ship Canal House  
King Street  
Manchester M2 4WB

### Auditors

Ernst & Young LLP  
100 Barbirolli Square  
Manchester M2 3EY

### Bankers

HSBC Bank Plc  
Crown Bank  
Hanley  
Stoke on Trent ST1 1DA

### Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### Registered Office

Stephenson Building  
The Science Park  
Keele ST5 5SP

Registered in England No: 4442927





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