



making tomorrow's medicines



Cobra Biomanufacturing Plc

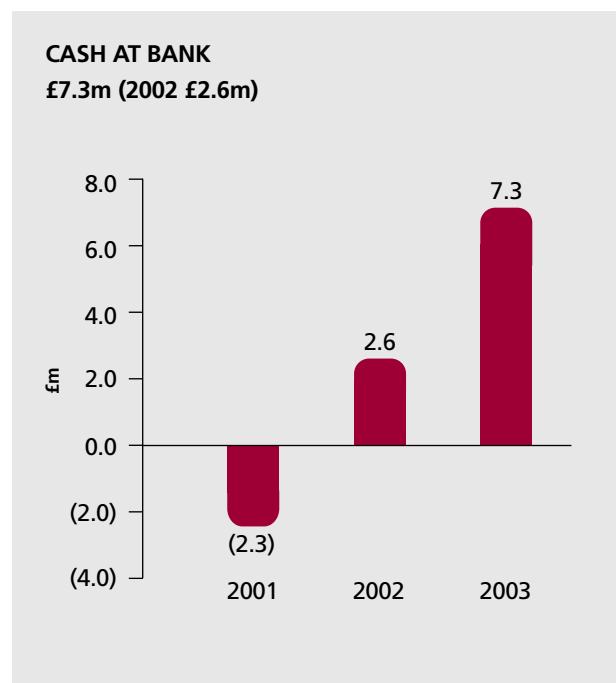
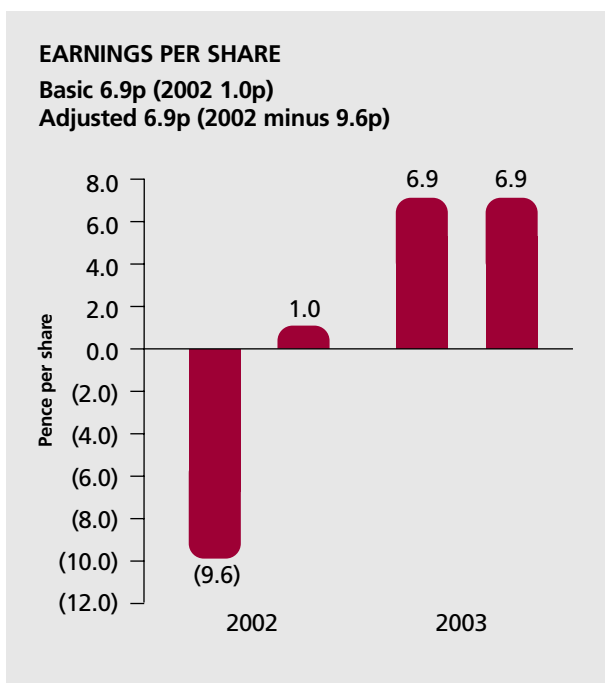
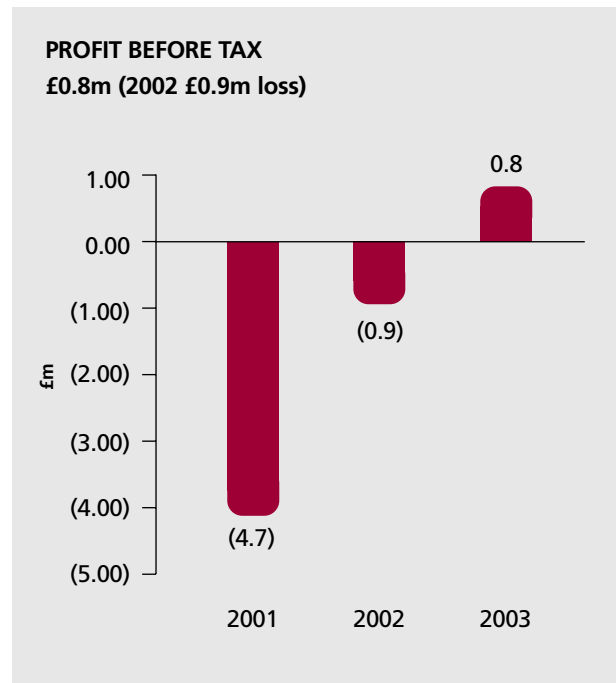
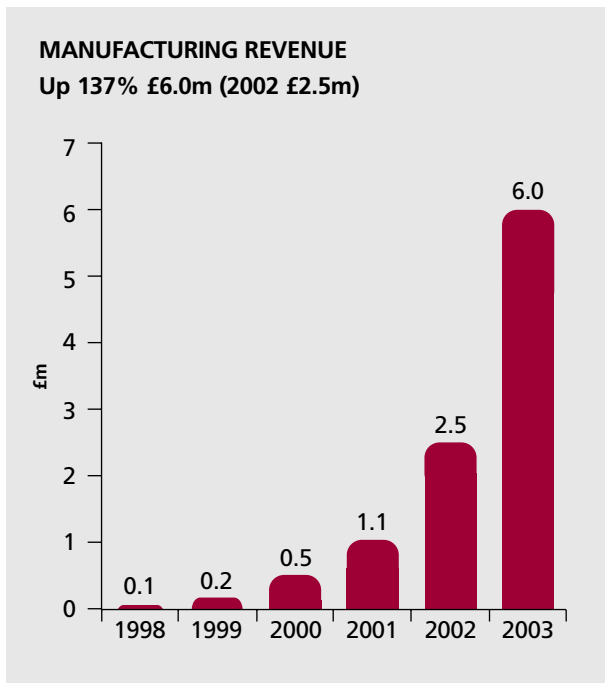
Annual Report and Accounts 2003
for the year ended 30 September 2003

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Financial highlights 2003

Building a world leading biopharmaceutical manufacturer delivering innovative solutions to clients and growing profits for shareholders



Chairman's statement



Cobra's first full financial year as an independent Plc has fulfilled the promise of the business on its listing on the Alternative Investment Market in June 2002. Contract manufacturing revenue for the financial year ending 30 September 2003 of £6.0 million is 137% ahead of the previous year (2002 £2.5million) with a profit before tax of £0.8 million (2002 £0.9 million loss) and cash flow from our existing Keele Facility remaining positive.

These results have been achieved through increased business development activity, particularly in the US following the opening of our office in Chicago in November 2002 (revenue from the US, the world's largest biopharmaceutical market, provided 24% of the Group's revenue in the year) and was supported by repeat business from customers worldwide, representing 67% of total revenue for 2003.

Cobra's scale of potential business in the supply of early-stage clinical trials provided the impetus behind a doubling of capacity in June 2003, through the acquisition of an additional manufacturing site in Oxford ("the Oxford Facility"), and a Placing and Open Offer raising £5.2 million before expenses, which was 5 times oversubscribed. The Oxford Facility will be a dedicated process development and production unit. This will expand both DNA and Virus manufacturing capacity, and importantly, will also allow for Phase I and II Protein manufacture. This makes Cobra the only organisation that we know of able to offer customers all forms of biopharmaceutical products during their critical development phases.

During the financial year we completed contracts for 24 customers, we maintained 27 customer programmes and entered into an increasing number of long-term supply agreements. These agreements provide the option for Cobra to supply late stage clinical trial materials and in-market supply and they cover products with a relatively high probability of clinical and commercial success. The Group is currently investigating ways of accessing larger scale facilities in anticipation of such an outcome.

It should be appreciated that even without such facilities, our business model provides for the Group to participate in a customer's product success via technology transfer fees and/or royalties on sales where products incorporate the Group's patents and know-how.

Accordingly, we continue to research new ways of formulating and manufacturing with several new patent applications in progress. During the year our unique DNA process patent was granted in Europe following its earlier approval in the US. This patent relates to the large-scale manufacture of Plasmid DNA medicines and vaccines to the rigorous quality standards required by the regulatory authorities.

The funding environment for biotechnology companies in the UK and Europe remains an issue, and many of these companies are Cobra's potential customers. The US market remains relatively buoyant and a further expansion of business development in the US is underway. Recruitment of high calibre people is also now taking place in Oxford to progressively staff the new facility with the result that over the next financial year employee numbers for the Group will almost double. We anticipate key appointments in Human Resource Management, Account Management and Quality Assurance Management.

As indicated, further expansion is now under review and as the scale of the business increases so too will the range of corporate development options on the one hand and corporate compliance requirements on the other. It is therefore with pleasure that I am able to announce from today the appointment of a third non-executive director, Michael Gatenby, a chartered accountant with an Honours degree in Law, and currently a director of Johnson Service Group Plc, Porvair Plc, SRS Technology Group Plc and Protherics Plc.

Cobra is a knowledge-led business driven by its highly qualified and experienced staff, whose commitment and enthusiasm have resulted in demonstrable success. These results are a credit to their hard work throughout the year and I would like to thank everyone for the positive way they have responded to our new operating environment. Maintaining this momentum in the present environment will be challenging, but the fundamentals are in place to leverage our position in the world-wide marketplace for biopharmaceuticals, with market leadership as our goal.

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

G P Fothergill
Executive Chairman
2 December 2003

Chief Executive's Review



The year ended 30 September 2003 was a critical year in Cobra's development, being the first full financial year as an independent Plc. Under challenging market conditions, we have increased contract manufacturing revenue by 137% to £6.0 million (2002 £2.5 million) and generated a pre-tax profit of £0.8 million (2002 £0.9 million loss). The foundation for further expansion was laid with a further successful fundraising of £5.2 million before expenses and the acquisition of the new Oxford Facility, doubling our present capacity. In addition, during 2003 we concluded a number of deals, which demonstrate the value of the Group's technology.

Our Business

Cobra's mission is to work in partnership with our customers to accelerate the clinical development of their products and in so doing add significant value to their businesses. This added value is achieved by the application of the most advanced manufacturing technologies available that deliver products to our customers of the highest quality standards. Cobra specialises in the manufacture of new wave, high value, potent medicines, whose origins are in the DNA revolution and whose commercialisation requires the development of innovative manufacturing solutions.

Business Climate

The Group has been able to increase manufacturing revenue in a difficult trading environment. Revenue from the US has increased by 158%, this is the primary target market for our services because 75% of the global biotechnology research and development spend is in the US. We have increased revenue by 151% in the UK, the location of the most exciting product oriented companies in Europe. In 2003 Continental Europe revenue has dropped by 27%; a reflection of the appetite for biotechnology funding in Europe. The strength of Cobra's offering is validated by our increased sales under such an adverse trading environment. We have also been able to establish strong sales in regions not normally associated with biotechnology, in particular Australia and South Africa, with revenue up 928% in the Rest of the World.

Cobra manufacturing revenue (£000's)	2003	2002	Increase/decrease
UK	2,114	843	151%
US	1,426	553	158%
Europe	711	972	-27%
Rest of the World	1,769	172	928%
Total	6,020	2,540	137%

Although the reduced level of funds flowing into the biotechnology sector has weakened the overall market for Phase I/II biomanufacturing, the reduction in demand has been offset by the increasing involvement of non-governmental organisations in vaccines development and also investment by government agencies in measures to protect against bio-terrorism.

During the year sentiment towards the US biotechnology sector has rebounded and 2003 is set to become the second best year ever in terms of financing. This factor coupled with the predominance of the US in this sector, makes Cobra's penetration of the US market pivotal to our continued growth and we will increase our sales and marketing effort in the US through 2004.

Cobra's Strategy

The Group's short-term goal is to become a leader in the supply of high value, high potency biopharmaceuticals for early phase clinical trials with a mid-term objective of moving into the supply of commercial quantities of these drugs. The foundation of this growth is in the application of those innovative manufacturing technologies, which can capture long-term value for the Group.

Achieving the mid-term objective is the critical next stage of the Group's development. Biopharmaceutical drugs require expensive specialist manufacturing facilities. There is a significant risk of product failure in clinical testing, investment in manufacturing plant is high risk for all pharmaceutical companies. To manage such risks contract manufacturers like Cobra need a diverse pipeline of promising projects feeding through from early clinical trials. Cobra's current strategy is to develop a pipeline of customers with successful innovative products in early clinical trials to mitigate the effect of their drug failure on our investment in commercial manufacture.

Expansion in Oxford

In June 2003, the Group acquired the Oxford Facility, previously operated by Accentus Plc (a division of AEA Technology Plc). This acquisition is the keystone of our expansion strategy. The facility, originally built by British Biotech Plc for the GMP ("Good Manufacturing Practice") manufacture of vaccines, is being completely refurbished and will more than double the Group's current capacity.

Three GMP manufacturing suites, one microbial, one animal cell and one equipped to manufacture either type of product will be fully validated and operational

Chief Executive's Review

Expansion in Oxford (continued)

by the second quarter of 2004. This expansion will give Cobra the capacity to support up to six GMP microbial and four animal cell programmes simultaneously and will also double our process development capability.

Our Success is Our Clients Success

Cobra not only manufactures products per se but also provides a comprehensive support service from cloning through to preparation of the CMC ("Chemistry, Manufacturing and Controls") dossier for regulatory submission and then supporting our clients with their ongoing dialogue with the regulatory agencies.

The success of this business is founded on excellence in molecular biology, an innovative approach to bioprocessing, an overriding commitment to quality and where possible exceeding the requirements of the regulatory authorities. This core competency in advanced molecular biology allows Cobra to manufacture all the major types of biopharmaceutical products: Plasmid DNA, genetically engineered Viruses, recombinant Proteins and Cell Therapies.

Molecular and Cell Biology

Although Cell Line construction revenue in 2003 only increased by 4%, molecular biology underpins Cobra's competitive edge. Most projects handled by the Group require upfront molecular biology to tailor the final production cell line for scale up and regulatory approval. In addition, our Molecular Biology Team continues to engineer proprietary cell lines; the cornerstone of our process intellectual property. This research is aimed at improving the productivity and/or safety of our partners' products in ways that can significantly add value to their products. Our Cell Line intellectual property ranges from UCOE, an animal cell expression technology, to Cobra's microbial strains designed to enhance product

Cobra manufacturing revenue by product (£000's)

	2003	2003%	2002	Increase
DNA	3,189	53%	1,236	158%
Virus	1,063	18%	554	92%
Protein	1,576	26%	565	179%
Cell Line	192	3%	185	4%
Total	6,020		2,540	

quality; ORT® for antibiotic free manufacture of biopharmaceuticals; high potency strains of *Salmonella* for oral delivery of vaccine antigens and strains of *Escherichia coli* and *Bacillus subtilis* genetically engineered to reduce contaminant profiles.

Plasmid DNA and DNA Vaccines

Cobra has a global reputation for the quality of its Plasmid DNA. DNA represented 53% of total revenue for 2003, a 158% increase on 2002. We have continued to consolidate our position as a major manufacturer of DNA vaccines (70% of total DNA revenue for 2003) and a leader in provision of DNA HIV/AIDS vaccines (64% of total DNA revenue for 2003). The current mode of vaccination used in DNA vaccination programmes uses a prime with Plasmid DNA then either a boost with DNA or with a genetically engineered Virus. Cobra is the only contract manufacturer providing a "one-stop shop" for all these strategies.

DNA manufacturing revenue (£000's)

	2003	2003%
DNA HIV/AIDS vaccines	2,033	64%
DNA other vaccines	209	6%
Total DNA vaccines	2,242	70%
DNA other	947	30%
Total	3,189	

HIV/AIDS Vaccines

The Group now supports three DNA HIV/AIDS vaccine programmes sponsored by the International Aids Vaccine Initiative ("IAVI"), two for the South African Aids Vaccine Initiative ("SAAVI") and two for the EuroVac/CHIVAC consortium. The lead vaccine candidate globally for the treatment of HIV/AIDS is a DNA vaccine approach (DNA.HIVA) developed by Professor Andrew McMichael at the University of Oxford and Professor Bwayo at the University of Nairobi in Kenya and manufactured by Cobra. This product has been used in small Phase I studies in the UK and Kenya. In addition a blinded Phase I/II trial, being conducted at St Mary's Hospital, London and at the Kenya Vaccine Initiative in Kenya, is now close to completion. The results from this study will be available in the second quarter of 2004. The vaccine has also been administered in a Phase I trial in Uganda

Chief Executive's Review

HIV/AIDS Vaccines (continued)

from which data will be available by mid 2004. A second vaccine sponsored from Professor Andrew McMichael's laboratory is called DNA.RENTA. This vaccine, again manufactured by Cobra in 2003 will begin Phase I trials by the end of the second quarter of 2004. A third vaccine sponsored by IAVI called DREP.HIVA and originating from Professor Peter Lijstrom's laboratory at the Karolinska Institute, Stockholm has been prepared and shipped for pre-clinical evaluation in the first quarter of 2004. Clinical trials are anticipated to start in the final quarter of 2004.

In November 2002 we announced a long-term manufacturing deal with SAAVI providing the Group with the option to manufacture the DNA HIV/AIDS vaccine for the South African market and also giving the Group the commercialisation rights on the vaccine for the rest of the world. Initial clinical batches were manufactured by Cobra in 2003 and will enter clinical trials in 2004 in the US, funded by the National Institute of Health HIVTN Network.

Multiple Sclerosis

This year we were pleased to initiate work on two DNA vaccines against multiple sclerosis developed by Bayhill Therapeutics Inc. a spin out of Stanford University in the US. We are pleased to be working with such an innovative company, which has invented a pioneering approach to prevent the devastating affects of autoimmune disease.

Virus Manufacture

Revenue from Virus manufacture increased by 92% in 2003, driven largely by a prostate gene therapy project with the Australian pharmaceutical company, Mayne Pharma. We are pleased to report that our other partner in prostate cancer gene therapy, ML Laboratories Plc, entered a Phase II clinical trial, and we have also initiated a contract for the manufacture of a Lentivirus with Europe's leading gene therapy company; Oxford Biomedica Plc.

Protein Manufacture

Revenue from Protein manufacture rose by 179% in 2003, largely due to the process development and GMP production of a generic interferon for clinical evaluation. We were also pleased to begin work with Dr Shirley Longacre of the Institute Pasteur on an

exciting protein sub-unit vaccine for Malaria. Sponsored by the Institute, the French Ministry of Research, the European Union and the World Health Organisation this vaccine is manufactured in baculovirus and is the only vaccine, which shows sterilising immunity in a Sri Lankan macaque model. In November 2002 we announced that one of our customers, Evlutec Limited had obtained permission to carry out a Phase I clinical trial for a Protein biopharmaceutical to treat conjunctivitis. This project was the first clinical programme involving a Protein manufactured by Cobra under scrutiny from the US Food and Drugs Agency.

Protein biopharmaceuticals constitute over 90% of the global research and development spend on biopharmaceuticals. We expect Protein manufacture will be a growth area for Cobra as the Group gains a track record for delivery in this sector.



Chief Executive's Review

Cell Therapies

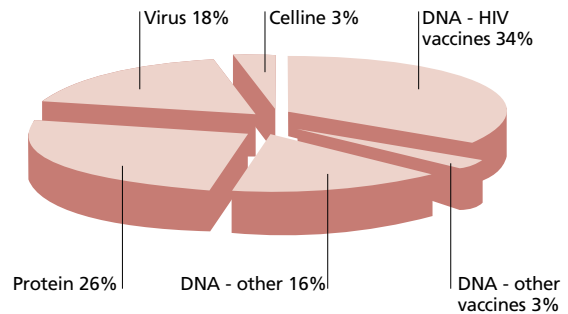
The use of live cells or organisms as pharmaceutical agents or vaccines is by no means new. However the use of molecular biology to manipulate and enhance the safety and efficacy of such organisms is a new and fertile area of clinical research. In July 2003 it was a pleasure to announce a long-term partnership with the US company Advaxis Inc for the manufacture of a vaccine against cervical cancer. Based on the pioneering work of Yvonne Patterson of the University of Pennsylvania, this vaccine is delivered by a live genetically engineered but harmless strain of *Listeria*. Cobra is also working on a long-term project with the UK government's Defence Science and Technology Laboratories on an oral vaccine approach that could be used to immunise against bio-terrorist instigated and other diseases.

Outlook

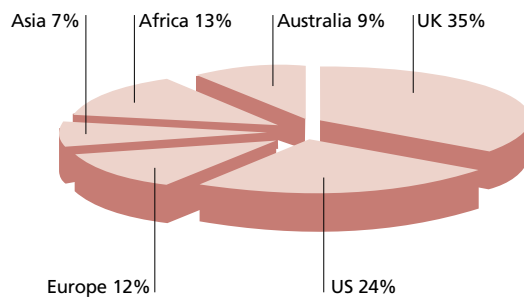
Cobra Biomanufacturing Plc has a unique offering in the biopharmaceutical sector. Based on the advanced application of genetic engineering and bioprocessing approaches we are able to significantly enhance the value of our clients' products and in exchange develop long-term value flowing back to the Group. We have demonstrated over the past year that the value of our process know-how can be captured through commercial manufacturing agreements, through royalty deals on process intellectual property rights and through the acquisition of rights to commercialise the products themselves in designated territories.

Dr David Thatcher
Chief Executive
2 December 2003

Revenue 2003 by product type



Revenue 2003 by destination



Financial Review



Cobra is a knowledge-led business, built and sustained through the innovation of its employees. However we also recognise that financial discipline is critical if the Group is to achieve the profitable growth required to create long-term value for our shareholders.

Profit after tax ("PAT") for the financial year 2003 was £1.0 million (2002 £0.1 million) and its achievement is a reflection of how each business unit of the Group responded to the targets set at the beginning of the financial year, both in terms of securing and delivering revenue, and also ensuring that their expenditure remained within budget.

Revenue

Revenue in 2003 from contract manufacture was up by 137% to £6.0 million (2002 £2.5 million). This growth was achieved by an increase in productive staff, a greater utilisation of our existing assets and the successful launch of the new £2 million, 270 litre fermentation suite at our Keele Facility at the beginning of the current financial year. This new suite contributed 30% (£1.8 million) of our total revenue for the year.

The Group maintained its diversity of product offering, with Protein and Virus contracts contributing 44% of the total revenue in 2003 (2002 44%). DNA remains our lead product generating 53% of the total revenue in 2003 (2002 49%). Of the DNA segment 64% was from the manufacture of DNA HIV/AIDS vaccines, using our novel ORT® vector. With Cobra currently supplying 4 out of the 11 clinical trials currently being conducted worldwide, we feel we are justified in claiming that we are the world's leading outsourced supplier of DNA HIV/AIDS vaccines.

Cobra delivers product globally. Revenue from the US in 2003 increased by 158% to £1.4million (2002 £0.6 million), this represents 24% (2002 22%) of our total revenue. The growth in US revenue is primarily due to the successful launch of our sales office in Chicago in November 2002 and is extremely encouraging considering that 75% of the biopharmaceutical market is in the US.

Profitability and margins

Gross profit margin for the year increased to 57% (2002 34%). This was primarily due to the greater utilisation of our existing Keele Facility.

The Group generated an operating profit of £0.7 million (2002 £0.8 million loss*), providing an operating margin for 2003 of 12% (2002 -32%*), however if the Oxford Facility reconstruction costs incurred in the final quarter of 2003 are excluded, the existing business generated a very encouraging operating margin of 15%.

£000's	2003	2002
Manufacturing revenue	6,020	2,540
Gross profit margin	57%	34%
Group operating profit	732	*(807)
Group operating margin	12%	*-32%
EBITDA	1,032	*(565)
PBT	817	(937)
PAT	1,042	89
EPS	6.9p	1.0p
Adjusted EPS	6.9p	(9.6)p

* 2002 comparatives exclude discontinued operations

The earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the Group for 2003 were £1.0million (2002 £0.6million loss*) and the profit before tax ("PBT") was £0.8 million (2002 £0.9 million loss).

Earnings per share ("EPS") for 2003 stands at 6.9 pence (2002 1.0 pence), the adjusted EPS 6.9 pence (2002 minus 9.6 pence) is included to highlight the underlying growth in earnings exclusively from continuing manufacturing operations.

Contract manufacturing provided a 21% return on assets exclusively employed on that class of business (2002 -32%), as the Keele Facility approaches full capacity.

Research and Development

Cobra recognises that it has achieved its competitive advantage in the complex market of biopharmaceutical manufacturing, through investment in research and development, to maintain its position, Cobra invested £0.2 million in 2003 (2002 £0.2million*) on improving its manufacturing process and maintaining its intellectual property portfolio.

* 2002 comparatives exclude discontinued operations

Financial Review

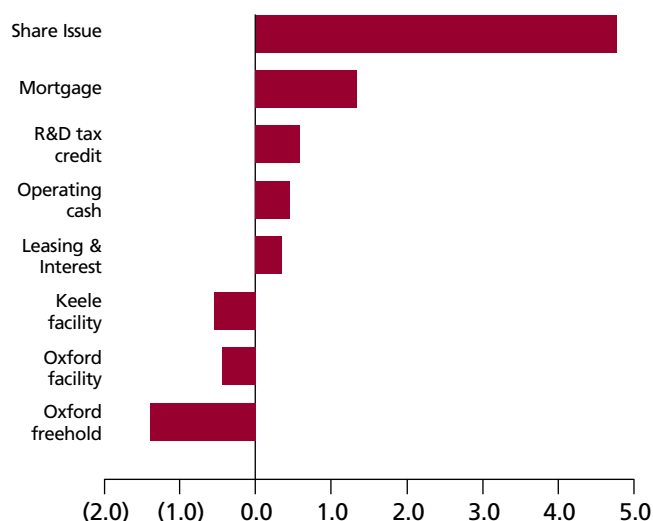
Cash Flow (including Short-Term Deposits)

The cash balance (including short-term deposits) increased during 2003 by £4.7 million to £7.3 million (2002 £2.6 million). The source and application of those funds during the year are described in the table below.

£000's	2003	2002
Operating cash inflow**	445	(3,045)
Capital investment		
Keele facility	(480)	(2,040)
Oxford freehold	(1,387)	-
Oxford facility	(490)	-
	(2,357)	(2,040)
Inflows		
Share issue	4,684	6,298
Disposal of R&D	-	3,175
Mortgage	1,088	-
R&D tax credit	497	240
Leasing & interest	290	314
	6,559	10,027
Opening cash	2,615	(2,327)
Closing cash	7,262	2,615

** includes R&D tax credit repayments to the Group's former parent undertaking of £496,522 (see taxation section)

Cash flow 2003 £m



Acquisitions and Funding

On 23 June 2003, the Group completed the acquisition of additional capacity, in Oxford, UK ("the Oxford Facility"). This acquisition represents a significant step in Cobra's development, in that it will not only double our existing Phase I/II capability, but it will allow us to expand our customer base, thereby increasing the likelihood of one of Cobra's customers entering into a long-term supply agreement for the manufacture of the more lucrative phase III/in market product supply.

The acquisition was for the freehold land and buildings and the existing plant and laboratory equipment for a total net cost of £1.4 million. The purchase of the freehold land and buildings at the Oxford Facility was partially funded by way of an 11-year £1.1 million property mortgage loan with HSBC Bank Plc.

To fund the post acquisition investment required to transform the Oxford Facility into a validated multi-product facility, by the second quarter of 2004, the Company issued a further 6.5 million 10p ordinary shares at 80p each, raising £5.2 million (£4.7 million net of issue costs).

Taxation

At 30 September 2003, the Group had tax losses carried forward of £12.5 million, ensuring that even though the Group is now profitable, it will not be obliged to pay UK corporation tax for the foreseeable future. Under Financial Reporting Standard ("FRS") No. 19 the Group is entitled to partially recognise this through a deferred tax asset in the Balance Sheet, included in debtors. As a result the profit and loss account in 2003 has been credited with deferred taxation of £0.2 million (2002 nil), as recognition of its recovery out of future profits.

The taxation figure for the financial year 2002 (£1.0 million) relates to research and development tax relief, available to the Group under Schedule 20 of the Finance Act 2000, in respect of the financial years 2000, 2001 and 2002. The cash receipts from the Inland Revenue are repaid in full to the Group's former parent undertaking, under an agreement entered into on 6 June 2002.

Financial Review



Treasury Policies and Financial Risk

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

Interest Rate, Liquidity and Foreign Currency Risk

Interest rate risk

During the year the Group took out a £1.1 million 11-year mortgage facility with HSBC Bank Plc to fund the acquisition of the freehold land and buildings at the Oxford Facility. The interest rate payable is 1.65% over the bank's base rate. The risk is partially offset at present by the Group's continued use of short-term deposits.

Liquidity risk

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

Currency risk

The Group generated overseas revenue during the year, primarily from the US. Any currency exposure has been partially offset by overseas expenditure and any net exposure has not been deemed material.

The position regarding both interest and currency risk is regularly reviewed and hedging activities will be initiated when appropriate.



Peter Coleman
Finance Director
2 December 2003



Board of Directors

(1) Peter Fothergill BA FCIM (Age 58), Chairman

Peter has 35 years experience in the international healthcare industry, including Chairmanship of Fisons Plc's multinational research-based Pharmaceutical Division and Consumer Health Division, where he led a series of strategic development initiatives, including acquisitions in North America, Europe and Asia, whilst achieving significant organic growth. He was a main board director during the period when Fisons Plc was a FTSE 100 company.

Peter 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 healthcare sector. He also served on the boards of ML Laboratories Plc, where he continues as an advisor on a part-time basis, and Proteus International Plc (now Protherics Plc). He is currently Chairman of I Holland Limited, the world's leading supplier of tablet moulding tools to the pharmaceutical industry and Innovata Biomed Limited, the respiratory development subsidiary of ML. He is a fellow of the Chartered Institute of Marketing, a member of the Institute of Directors and sits on various charitable and public bodies.

(2) David Thatcher PhD (Age 56), Chief Executive

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

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

(3) Peter Coleman ACMA MBA (Age 37), Finance Director

Peter has over nine 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 56), Independent Non-executive Director

David trained as a biochemist and pursued an academic career in Europe and America before entering the pharmaceutical industry. He has held a number of senior Research and Development positions and was a main board member of Celltech Plc and Laboratories Almirall SA and is a former Chief Executive of Cobra. He is currently the Chairman of Evlutec Limited and is a non-executive director of Provalis Plc and the Babraham Institute.

(5) Michael Gatenby FCA (Age 59), Independent Non-executive Director

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

(6) Professor Nigel Slater (Age 50), Independent Non-executive Director

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



Senior Management

(7) Geoff Sharpe BSc PhD (Age 57), Director of Quality Assurance

After having gained a degree in Applied Chemistry at Liverpool, Geoff 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 Geoff transferred to ICI Pharmaceuticals (now Astra Zeneca Plc) 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 38), Director of Business Development

Prior to Cobra, Andrew was the Business Development & Sales Manager at Accentus Biologics Plc, a subsidiary of AEA Technology Plc, where he led the sales marketing and licensing activities. Andrew 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 Accentus, Andrew was responsible for winning new business in the biotechnology, pharmaceutical and healthcare sectors, and has gained extensive experience of the successful management and licensing of technology and intellectual property.

Andrew 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.

(9) Julian Hanak BSc (Hons) MSc (Age 39), Director of Production

After gaining an honours degree in Biochemistry at University College London, Julian 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 Julian 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.

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 2003.

Principal Activities

Cobra Biomanufacturing Plc is a holding company and its only subsidiary is Cobra Biologics Limited (formerly Cobra Therapeutics Limited). The principal activity of the Group is the manufacture of DNA, Virus and Protein based pharmaceuticals.

Trading Review

A review of the Group's business and activities is contained in the reports of the Chairman and the Chief Executive set out on page 2 and pages 3 to 6 respectively.

Results and Dividend

The Group profit for the period after providing for taxation was £1.0 million (2002 £0.1 million profit) 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 £30.8 million (2002 £31.8 million).

A financial review of results is included on pages 7 to 9.

Directors

The directors who served throughout the year were as follows:

Peter Fothergill	Chairman
David Thatcher	Chief Executive
Peter Coleman	Finance Director
Nigel Slater	Independent Non-Executive
David Bloxham	Independent Non-Executive

Peter Fothergill retires by rotation, and, being eligible offers himself for re-election at the forthcoming Annual General Meeting.

Michael Gatenby was appointed as a non-executive director on 2 December 2003 and will retire in accordance with the Company's articles of association and, being eligible, will offer himself for re-election at the Annual General Meeting.

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

Details of directors' interests in the share capital of the

Company, as shown in the register maintained in accordance with Section 325 of the Companies Act 1985, together with details of share options granted and awards made to directors are included in the Board's Remuneration Report on pages 17 to 21.

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 2003 the trade creditors for the Company represented 51 days (2002 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 has strict environmental policies on the discharge of waste and endeavours to comply at all times, with national government and local authority regulations.

Charitable and Political Contributions

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

Employee Involvement

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

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

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

Report of the Directors

Employee Share Schemes

Employee involvement in financial performance is encouraged through participation in the Company's share option schemes. At 30 September 2003, 55 employees, including directors, held options over 1,343,138 ordinary shares in the Company's share option scheme. Further information on share options is shown in note 18 on page 37.

Major Interest in Shares

At 25 November 2003, the following institutions held interests in excess of 3% of the ordinary share capital:

	Percentage holding	Number of ordinary shares
Fidelity International Limited	7.14%	1,391,600
Collins Stewart (CI) Limited	6.58%	1,283,250
Britannic Investment Managers Limited	6.32%	1,233,039
Standard Life Investments	5.13%	1,000,000
ML Laboratories Plc	5.13%	1,000,000
New Star Select Opportunities Fund	3.91%	762,029
Invesco English and International Trust Plc	3.75%	730,953
First State Investments	3.57%	695,631

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

Annual General Meeting

The Annual General Meeting of the Company will be held on 26 February 2004 at 11.00am at the offices of 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 41 and 42.

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

1. An ordinary resolution to renew the directors' authority for the purpose of Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot, or agree to allot, authorised but unissued (and unreserved) share capital of the Company. The authority will relate to 6,947,710 ordinary shares of 10p each, representing 36% of the current issued ordinary share capital of the Company, and will expire at the conclusion of

the next Annual General Meeting of the Company or if sooner, 24 May 2005. 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 next Annual General Meeting or, if sooner, 24 May 2005 the directors' power to allot equity securities (within the meaning of Section 94 of the Act) for cash other than pro rata to existing shareholders. This power will relate to allotments in respect of rights issues (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) and to allotments (other than in respect of rights issues) of equity securities having an aggregate nominal value not exceeding £97,500 (being 5% of the issued equity share capital of the Company). The directors consider that it is in the best interests of the shareholders that the Board should have this limited power in order to retain flexibility.

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

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.



Report of the Directors

Going Concern

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

Auditors

Ernst & Young LLP were re-appointed auditors at the Annual General Meeting held on 28 February 2003. They have expressed their willingness to continue in office and a resolution to reappoint them as auditors and to authorise the directors to determine their remuneration will be proposed at the next Annual General Meeting.

**Approved by the Board and signed on
its behalf**



Matthew Baker
Company Secretary
2 December 2003

Corporate Governance Statement

The Combined Code

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

The Board is also conscious of the new Combined Code published in July 2003 and effective for fully listed companies with a financial year starting on or after the 1 November 2003. The Board has reviewed the corporate governance of the Company and has implemented the appropriate changes, for instance it has revised the terms of reference of the existing major board committees and established a new Nomination Committee in line with the new guidance. The Board will continue to review the corporate governance of the Company during the next financial year.

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

Application of the Principles of the Combined Code

The Board

The Board of Directors comprises three executive directors, including the Chairman, and three independent non-executive directors. The executive directors have a clear division of duties and the full 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. There is an agreed procedure for directors in the furtherance of their duties to take independent professional advice if necessary, at the Company's expense.

David Bloxham previously held the position of Chief Executive of Cobra Therapeutics Limited (now Cobra Biologics Limited), the wholly owned subsidiary of the Company. This appointment ceased in June 2000. In the opinion of the Board this gives him an insight into the Company, but does not affect his independence. The Board therefore considers that all of the non-executive directors are independent.

At the current time, the Board feels that it is not appropriate to appoint a senior independent non-executive director.

Board Committees

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

Audit Committee

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

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

Remuneration Committee

The Remuneration Committee comprises of the non-executive directors with Nigel Slater as Chairman. It recommends to the Board the policy on executive remuneration and it determines on behalf of the Board, the terms and conditions of service for each executive director. The Report on Directors' Remuneration is set out on pages 17 to 21.

Nomination Committee

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

The Committee is responsible for identifying appropriate candidates for the Company's executive and non-executive posts and for recommending such candidates to the Board.

Corporate Governance Statement

Risk Management and Internal Control

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

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

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

The Board has also recognised the need for an effective risk management process, and after a comprehensive review implemented the development of an integrated risk management process for the Group. Stage one of the process identified and prioritised the major strategic risks facing the Group, and reviewed the current controls in place for each risk and recommended a strategy for improvement. Stage two will be to then embed a risk review process into the established internal control procedures of the Group during the next financial year.

The financial review also provides some further information on the risks the Group faces.

Relations with Shareholders

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

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

The Annual Report is to be published on the Company's website, www.cobrabio.com which also includes previous financial reports, press releases and other announcements during the year.

Report on Directors' Remuneration



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

Reward Philosophy

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

The Group's overall policy aims are to:

1. Attract, develop, motivate and keep talented people at director level;
2. Pay competitive salaries and benefits to directors. When pay levels are set, account is taken of the work an director does, what is paid in other companies for that work and how well the Group's businesses are performing; and
3. Encourage its directors to hold shares in the Company, which the Board believes is an effective way of bringing together their interests with those of external shareholders.

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

Non-Executive Directors' Remuneration

Non-executive directors are appointed for an initial period of twelve months and then on a rolling contract subject to three months' notice either by themselves or the Company. All directors are subject to re-election at an Annual General Meeting at least every three years. The non-executive directors receive a basic salary and do not participate in the bonus arrangements, healthcare arrangements, company share option schemes or the pension scheme. The Company repays the reasonable expenses they incur in carrying out their duties as directors.

Non-executive directors' remuneration for the year ended 30 September 2003 is set out in the following table:

	Total 2003 £	Total *2002 £
Non- executive director		
David Bloxham	18,000	5,400
Nigel Slater	18,000	5,375
Total	36,000	10,775

* The non-executive remuneration for the year ended 30 September 2002 is from the date of their appointment on 6 June 2002.

Michael Gatenby was appointed as a non-executive director on 2 December 2003, after the end of the financial year.

Executive Directors' Remuneration

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

The Committee investigates and takes into account the remuneration paid to the directors of other companies of a similar size and comparable industry sector in the UK, to ensure that the levels of remuneration paid by the Group are appropriate. During the financial year 2003 this information was provided through subscription and access to the New Bridge Street Consultants' "Biotechnology Industry Remuneration Survey 2002", a survey that had 47 sector participants. The Committee also has access to independent advice on corporate governance and during the next financial year intends to commission an independent review, to determine whether the compensation packages of the directors are competitive with other similar sized organisations.

The Committee met twice in the year to 30 September 2003 and the Board accepted the Committee's recommendations without amendment.

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

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

Report on Directors' Remuneration

Reward Policy

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

1. Pay a basic salary, which competes with other companies of similar size and complexity. The Company aims to pay about the market median but may pay more for an outstanding performer or to attract executives of the right calibre.
2. Give executives the opportunity to increase their earnings by meeting and outperforming short-term and long-term objectives that are key to the growth of the Group. In this way, the Company links executives' rewards directly to the Group's performance and shareholders' interests;
3. Encourage executives to hold shares in the Company (including through the use of share options); and
4. Overall, reward executives fairly and responsibly for their contribution to the Group's short and long-term performance.

Elements of Remuneration

In deciding the executive directors' total remuneration package and individual elements of it, the Committee assesses where the Company should be positioned relative to other companies. It makes appropriate comparisons but treats them cautiously.

The Committee aims for an appropriate balance between fixed pay and benefits and variable long and short-term rewards. Variable or 'at risk' pay in this financial year represented 15% of executive directors basic salaries.

The main elements of executive directors' remuneration are as follows:

Basic Salary

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

Annual Bonus

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

During the financial year 2003, executive directors could earn discretionary annual bonus awards worth up to 40% of their basic salary for the attainment of specific corporate targets.

For 2004 the Committee has introduced a performance related bonus scheme for both directors and senior management, which establishes a set of both quantitative and qualitative objectives for each director and senior manager at the start of the financial year. The quantitative objectives are based on Group sales, PBIT and cash management and the qualitative objectives are based on personal and team achievements. The Chief Executive will be entitled to receive up to a maximum of 50% of his basic salary under this scheme, and the other executive directors up to a maximum of 30%. In addition the Committee may award an additional discretionary bonus where merited.

Other Benefits

Benefits for the executive directors principally comprise provision for private healthcare, death and disability in service cover.

Report on Directors' Remuneration

Elements of Remuneration

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

	Basic salary £	Bonus £	Benefits £	Total 2003 £	Total * 2002 £
Executive directors					
David Thatcher	138,875	40,000	3,068	181,943	38,431
Peter Fothergill	100,385	-	4,022	104,407	30,018
Peter Coleman	78,444	7,000	1,675	87,119	27,064
Total	317,704	47,000	8,765	373,469	95,513

* The remuneration for the year ended 30 September 2002 is from the date of their appointment on 20 May 2002.

Executive Share Options

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

	At 1 October 2002 No	Granted in year No	At 30 September 2003 No	Exercise price pence	Date from which exercisable	Expiry date
Executive directors						
David Thatcher	230,000	-	230,000	100.0	14.06.05	12.06.12
	-	269,430	269,430	96.5	08.07.06	06.07.13
	230,000	269,430	499,430			
Peter Fothergill	200,000	-	200,000	100.0	14.06.05	12.06.12
	-	207,254	207,254	96.5	08.07.06	06.07.13
	200,000	207,254	407,254			
Peter Coleman	60,000	-	60,000	100.0	14.06.05	12.06.12
	-	74,352	74,352	96.5	08.07.06	06.07.13
	60,000	74,352	134,352			

The market price of the Company's shares at 30 September 2003 was 105.0 pence (30 September 2002 84.5 pence) and the range during the year was 73.0 pence to 120.0 pence.

Report on Directors' Remuneration

Pension Arrangements

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

The Chairman, Peter Fothergill, receives from the Group a contribution of 15% of his basic salary to his defined contribution personal pension plan.

The Group's contributions to the directors' personal pension schemes during the year were as follows:

	2003 £	*2002 £
Executive directors		
David Thatcher	8,837	2,415
Peter Fothergill	15,058	4,442
Peter Coleman	4,992	1,260
	28,887	8,117

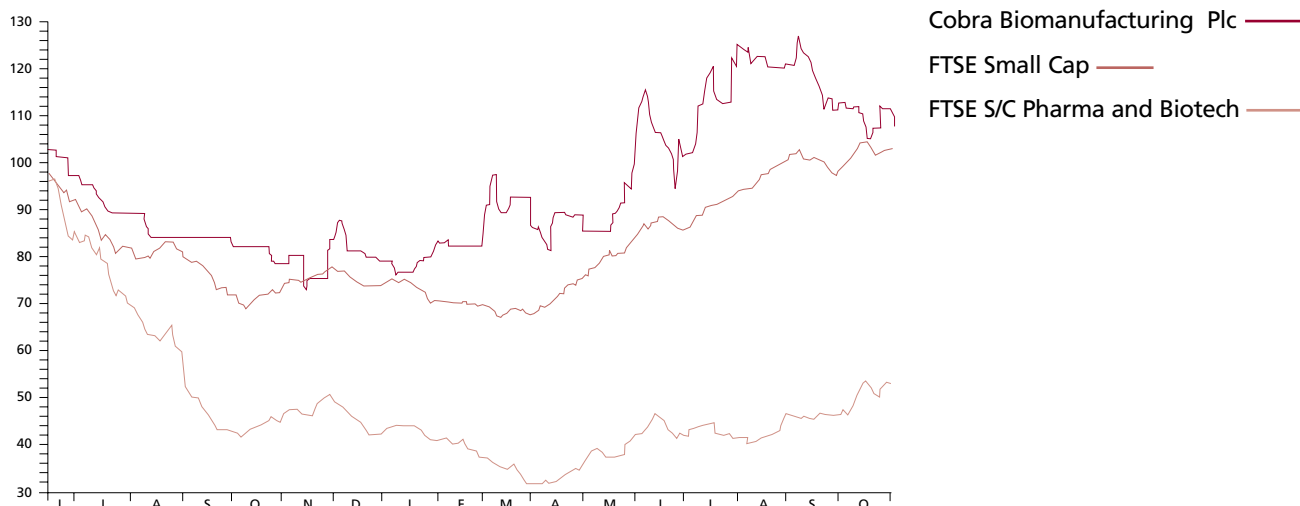
* The contributions for the year ended 30 September 2002 are from the date of their appointment on 20 May 2002.

Service Contracts

The Executive Directors have a notice period of one year. The Company may offer a longer notice period if it considers that it is necessary in order to recruit a new director. If it offers a notice period of more than one year, it will usually reduce that to one year or less after the initial period. 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.

Performance Graph

The graph below shows the Company's TSR ("Total Shareholder Return") compared to the FTSE Small Cap and the FTSE Small Cap Pharmaceutical & Biotechnology Sector for the period from 13 June 2002 to 31 October 2003. TSR is defined as share price growth plus reinvested dividends. Given its size and market sector, the Company believes that they are the most appropriate basis for comparison as a relevant equity index of which it is a member.



Source: Datastream

Report on Directors' Remuneration

Directors' Interests

At 30 September 2003, the directors had the following beneficial interests in the Company's shares and options to subscribe for shares:

	Ordinary shares of 10p each		Share options	
	2003 No	2002 No	2003 No	2002 No
Executive directors				
David Thatcher	15,000	10,000	499,430	230,000
Peter Fothergill	15,000	10,000	407,254	200,000
Peter Coleman	3,750	2,500	134,352	60,000
Non-executive directors				
David Bloxham	7,500	5,000	-	-
Nigel Slater	2,500	-	-	-

From the end of the financial year until 2 December 2003 there have been no changes in the above interests.



Nigel Slater
Chairman - Remuneration Committee
2 December 2003

Independent Auditors' Report to the members of Cobra Biomanufacturing Plc

We have audited the Group's financial statements for the year ended 30 September 2003, which comprise Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

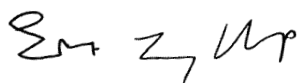
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 2003 and of the profit 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
2 December 2003

Group Profit and Loss Account

for the Year Ended 30 September 2003

	Notes	2003 £	2002 £
Turnover			
Continuing operations		6,020,293	2,539,812
Discontinued operations		-	30,000
Group turnover	2	6,020,293	2,569,812
Cost of sales		(2,617,732)	(1,700,067)
Gross profit		3,402,561	869,745
Research and development	3	(199,976)	(1,916,254)
Selling, marketing and distribution costs	3	(384,299)	(65,015)
Administrative expenses	3	(2,086,410)	(2,215,260)
Operating profit/(loss)		731,876	(806,524)
Continuing operations		731,876	(806,524)
Discontinued operations		-	(2,520,260)
Group operating profit /(loss)	3	731,876	(3,326,784)
Profit on transfer of discontinued operations		-	2,517,810
Discontinued reorganisation costs		-	(123,501)
Profit/(loss) on ordinary activities before investment income, interest and taxation		731,876	(932,475)
Bank interest receivable	5	131,528	27,264
Interest payable	5	(46,523)	(32,184)
Profit/(loss) before tax		816,881	(937,395)
Taxation	6	225,000	1,025,992
Retained profit for the year		1,041,881	88,597
Earnings/(loss) per share			
Basic	8	6.9p	1.0p
Adjusted	8	6.9p	(9.6)p
Diluted	8	6.9p	1.0p

Group Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit for the year of £1,041,881 in the year ended 30 September 2003 and the profit of £88,597 in the year ended 30 September 2002.

Balance Sheets

at 30 September 2003

	Notes	2003 £	Group 2002 £	2003 £	Company 2002 £
Fixed assets					
Tangible assets	9	4,925,058	2,168,393	-	-
Investments	10	-	-	600,000	600,000
		4,925,058	2,168,393	600,000	600,000
Current assets					
Stocks and work in progress	11	206,919	441,178	-	-
Debtors	12	2,480,378	2,373,389	4,562,045	4,001,208
Cash		7,261,751	2,614,546	6,708,288	2,509,737
		9,949,048	5,429,113	11,270,333	6,510,945
Creditors: amounts falling due within one year	13	(3,151,602)	(2,612,744)	(295,195)	(217,430)
Net current assets		6,797,446	2,816,369	10,975,138	6,293,515
Total assets less current liabilities					
		11,722,504	4,984,762	11,575,138	6,893,515
Creditors: amounts falling due after more than one year	14	(1,173,497)	(162,292)	-	-
Net assets	2	10,549,007	4,822,470	11,575,138	6,893,515
Capital and reserves					
Called up share capital	18 and 19	1,950,000	1,300,000	1,950,000	1,300,000
Share premium	19	9,632,493	5,597,837	9,632,493	5,597,837
Merger reserve	19	29,728,872	29,728,872	-	-
Profit and loss account	19	(30,762,358)	(31,804,239)	(7,355)	(4,322)
Equity shareholders' funds		10,549,007	4,822,470	11,575,138	6,893,515

The financial statements on pages 23 to 40 were approved by the Board of Directors on 2 December 2003 and were signed on its behalf by:



David Thatcher
Chief Executive



Peter Coleman
Finance Director

Group Statement of Cash Flows

for the Year Ended 30 September 2003

	Notes	2003 £	2002 £
Net cash inflow/(outflow) from operating activities	20	444,816	(3,031,757)
Returns on investment and servicing of finance			
Interest received		131,528	27,264
Interest element of finance lease rental payments		(46,523)	(32,184)
		85,005	(4,920)
Taxation			
R&D tax credit		496,522	239,608
		496,522	239,608
Capital expenditure			
Payments to acquire tangible fixed assets		(2,356,888)	(2,040,253)
		(2,356,888)	(2,040,253)
Acquisitions and disposals			
Transfer of discontinued operations		-	3,298,391
Reorganisation costs		-	(123,501)
		-	3,174,890
Net cash outflow before the management of liquid resources and financing		(1,330,545)	(1,662,432)
Management of liquid resources			
Increase in short-term deposits		(4,427,964)	(2,350,000)
Financing			
Issue of ordinary shares		5,200,000	7,000,000
Share issue costs		(515,344)	(702,163)
New long-term loans		1,087,500	-
Repayment of capital element of finance leases		(71,228)	(81,469)
Lease finance acquired		276,822	400,598
Decrease in amount owed to former parent undertaking		-	(13,804)
		5,977,750	6,603,162
Increase in cash		219,241	2,590,730

Reconciliation of Net Cash Flow to Movement in Net Funds for the Year Ended 30 September 2003

	Notes	2003 £	2002 £
Increase in cash		219,241	2,590,730
Cash inflow from increase in loans		(1,087,500)	-
Repayment of capital element of finance leases		71,228	81,469
Lease finance acquired		(276,822)	(400,598)
Decrease in amount owed to former parent undertaking		-	13,804
Cash outflow to short-term deposits		4,427,964	2,350,000
<hr/>			
Change in net funds resulting from cash flow		3,354,111	4,635,405
Other		-	164,001
<hr/>			
Movement in net funds during the period		3,354,111	4,799,406
Net funds/(debt) at the start of the year		2,320,823	(2,478,583)
<hr/>			
Net funds at the end of the year	20	5,674,934	2,320,823
<hr/>			

Notes to the Financial Statements

for the Year Ended 30 September 2003

1 ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation and presentation of financial statements

The Group accounts comprise the accounts of Cobra Biomanufacturing Plc and its subsidiary undertaking Cobra Biologics Limited (formerly Cobra Therapeutics Limited) up to 30 September 2003. No profit and loss account is presented for Cobra Biomanufacturing Plc as permitted by Section 230 of the Companies Act 1985.

Turnover and revenue recognition

Turnover, which excludes value added tax, represents amounts receivable in respect of the sale of goods and services during the year.

Turnover on fixed contracts is invoiced in accordance with the terms of the agreement with the customer and is recognised based upon the stage of completion when the outcome of the contract can be foreseen with reasonable certainty and after allowing for costs of completion.

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:

Freehold land and buildings	25 years
Plant and laboratory equipment	between 6.67 and 10 years
Short leasehold building improvements	6.67 years
Office equipment	4 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.

Research and development

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

Notes to the Financial Statements

for the Year Ended 30 September 2003

1 ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

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

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

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

Deferred tax

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

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

Foreign currencies

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

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

All differences are taken to the profit and loss account.

Pension costs

The Group operates a defined contribution scheme, covering all 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

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

	2003 £	2002 £
Continuing operations		
United Kingdom	2,114,096	842,714
North America	1,425,841	553,280
Europe	711,303	971,737
Rest of the World	1,769,053	172,081
	6,020,293	2,539,812
Discontinued operations		
United Kingdom	-	10,000
North America	-	20,000
	-	30,000
	6,020,293	2,569,812

Notes to the Financial Statements

for the Year Ended 30 September 2003

2 TURNOVER AND SEGMENTAL ANALYSIS (continued)

(b) Segmental analysis by class of business

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

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

	Contract manufacture		Licensing		Total	
	2003	2002	2003	2002	2003	2002
	£	£	£	£	£	£
Group turnover						
Continuing operations	6,020,293	2,539,812	-	-	6,020,293	2,539,812
Discontinued operations	-	-	-	30,000	-	30,000
	6,020,293	2,539,812		30,000	6,020,293	2,569,812
Cost of sales	(2,617,732)	(1,700,067)	-	-	(2,617,732)	(1,700,067)
Research and development	(199,976)	(219,852)	-	(1,696,402)	(199,976)	(1,916,254)
Selling, marketing and distribution costs	(384,299)	(34,843)	-	(30,172)	(384,299)	(65,015)
Administration expenses	(2,086,410)	(1,391,574)	-	(823,686)	(2,086,410)	(2,215,260)
Segmental operating profit/(loss)	731,876	(806,524)	-	(2,520,260)	731,876	(3,326,784)
Profit on transfer of discontinued operations					-	2,517,810
Discontinued reorganisation costs					-	(123,501)
Bank interest receivable					131,528	27,264
Interest payable					(46,523)	(32,184)
Profit/(loss) before taxation					816,881	(937,395)
Segmental net assets	3,561,573	2,501,647	-	-	3,561,573	2,501,647

The net segmental assets are reconciled to shareholders' funds as follows:

Segmental net assets	3,561,573	2,501,647
Cash at bank and in hand	7,261,751	2,614,546
Corporation tax	323,278	786,385
Deferred taxation	225,000	-
Amounts owed to former parent undertaking	(323,278)	(786,385)
Obligations under finance leases	(499,317)	(293,723)
Net assets	10,549,007	4,822,470

Notes to the Financial Statements

for the Year Ended 30 September 2003

3 OPERATING PROFIT/(LOSS)

		2003	2002
		£	£
This is stated after charging:			
Auditor's remuneration	- audit services	18,000	17,000
	- non audit services	15,500	5,000
Loss on sale of tangible fixed assets		-	1,702
Depreciation of owned assets		250,098	371,333
Depreciation of assets held under finance leases		49,739	61,660
Operating leases	- hire of other assets	3,915	3,632
	- rental of premises	153,211	192,431

£9,000 (2002 £8,500) of audit fees and £7,750 (2002 £2,500) of non audit fees relates to the Company.

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

	Continuing 2003	Discontinued 2003	2003 Total	Continuing 2002	Discontinued 2002	2002 Total
	£	£	£	£	£	£
Cost of sales	2,617,732	-	2,617,732	1,700,067	-	1,700,067
Research and development	199,976	-	199,976	219,852	1,696,402	1,916,254
Selling, marketing and distribution costs	384,299	-	384,299	34,843	30,172	65,015
Administrative expenditure	2,086,410	-	2,086,410	1,391,574	823,686	2,215,260

4 STAFF COSTS

	2003	2002
	£	£
Wages and salaries	1,985,531	2,123,886
Social security costs	187,448	200,672
Other pension costs	91,401	96,733
	2,264,380	2,421,291

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

	2003 No.	2002 No.
Manufacturing	41	37
Selling marketing and distribution	4	1
Research and development	3	23
Administration	18	13
	66	74

Notes to the Financial Statements

for the Year Ended 30 September 2003

4 STAFF COSTS (continued)

Directors' remuneration

	2003 £	2002 £
Aggregate emoluments	409,469	106,288
Company contributions to defined contributions pension scheme	28,887	8,117
	438,356	114,405

Remuneration to highest paid director

	2003 £	2002 £
Aggregate emoluments	181,943	38,431
Company contributions to defined contributions pension scheme	8,837	2,415
	190,780	40,846

5 INTEREST RECEIVABLE AND PAYABLE

	2003 £	2002 £
Interest receivable		
Bank interest receivable	131,528	27,264
Interest payable		
Interest payable on finance leases	46,523	32,184

6 TAXATION

The Group is entitled to Research and Development tax relief under Schedule 20 of the Finance Act 2000, in respect of the year ended 30 September 2002 and 30 September 2003.

The deferred tax asset has been recognised to the extent that deferred taxation is expected to be recoverable out of future profits. This is based on profit forecasts for the 12 months ended 30 September 2004. The unrecognised deferred tax asset will be available for offset against qualifying taxable profits arising in future periods. The effect of the utilisation of the unrecognised deferred tax assets in future periods will be to reduce the future tax rate to below the standard rate for UK Corporation Tax.

Notes to the Financial Statements

for the Year Ended 30 September 2003

6 TAXATION (continued)

	2003 £	2002 £
Taxation on profit/(loss) on ordinary activities		
Current tax:		
UK corporation tax on loss of the period	-	(289,862)
Adjustments in respect of previous periods	-	(736,130)
Total current tax	-	(1,025,992)
Deferred tax:		
Origination of timing differences	(225,000)	-
Total deferred tax	(225,000)	-
Total tax	(225,000)	(1,025,992)

Factors affecting the tax charge for the period

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

	2003 £	2002 £
Profit/(loss) on ordinary activities before tax	816,881	(937,395)
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2002 30%)	245,064	(281,219)
Effect of:		
Expenses not deductible for tax purposes	321	(866,317)
Depreciation in excess of capital allowances	89,951	(93,259)
Other timing differences	41,521	-
Adjustments in respect of previous periods	-	(736,130)
Utilisation of tax losses	(376,251)	697,303
Difference in tax rates on losses used for R&D tax claim	-	253,630
Others	(606)	-
Current tax charge for the period	-	(1,025,992)

Factors affecting future tax charges

The trading losses carried forward available for set off against future profits arising from the same trade amount to approximately £12,500,000

The Group has deferred tax assets of £3,956,023 at 30 September 2002 and £3,700,000 at 30 September 2003, which have arisen mainly due to trading losses carried forward.

Notes to the Financial Statements

for the Year Ended 30 September 2003

7 PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company for the period ended 30 September 2003 was £3,033 (2002 £4,322 loss).

8 EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share is based on earnings of £1,041,881 (2002 £88,597) and on 15,124,531 ordinary shares (2002 8,438,953) being the weighted average number of shares in issue during the year.

The basic and adjusted earnings per share for the year ended 30 September 2002 has been restated to reflect the dilutive effect of the placing and open offer of 6,500,000 ordinary 10.0 pence shares at 80.0 pence per share on 23 June 2003.

	2003	2002
	No.	No.
Basic weighted average number of shares	15,124,531	8,438,953
Dilutive potential ordinary shares:		
Employee share options	-	-
Warrants	-	-
	15,124,531	8,438,953

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:

	2003	2002
	£	£
Profit for the financial year	1,041,881	88,597
Adjustments		
Profit on transfer of R&D operations	-	(2,517,810)
Discontinued reorganisation costs	-	123,501
Discontinued R&D operations	-	2,520,260
R&D tax credit	-	(1,025,992)
Adjusted earnings	1,041,881	(811,444)

Notes to the Financial Statements

for the Year Ended 30 September 2003

9 TANGIBLE FIXED ASSETS

	Plant and laboratory equipment £	Office equipment £	Short leasehold building improvements £	Freehold land and buildings £	Assets under construction £	Total £
Cost						
At 1 October 2002	3,176,614	427,397	1,845,427	-	-	5,449,438
Additions	406,054	78,133	-	1,387,001	1,185,314	3,056,502
At 30 September 2003	3,582,668	505,530	1,845,427	1,387,001	1,185,314	8,505,940
Depreciation						
At 1 October 2002	1,094,991	340,627	1,845,427	-	-	3,281,045
Charge for the year	255,140	44,697	-	-	-	299,837
At 30 September 2003	1,350,131	385,324	1,845,427	-	-	3,580,882
Net book value						
At 30 September 2003	2,232,537	120,206	-	1,387,001	1,185,314	4,925,058
At 30 September 2002	2,081,623	86,770	-	-	-	2,168,393

The net book value of tangible fixed assets includes £250,043 (2002 £299,782) in respect of assets held under finance leases. The assets under finance leases consist of plant and laboratory equipment.

The cost of tangible assets includes £15,593 (2002 nil) of capitalised interest relating to the property mortgage loan taken out to purchase freehold land and buildings.

10 INVESTMENTS

Company	£
At 1 October 2002 and at 30 September 2003	600,000

The investments listed above are in the Company's wholly owned subsidiary, Cobra Biologics Limited.

11 STOCKS AND WORK IN PROGRESS

	2003 £	Group 2002 £	2003 £	Company 2002 £
Raw materials & consumables	198,155	125,903	-	-
Work in progress	8,764	315,275	-	-
	206,919	441,178	-	-

Notes to the Financial Statements

for the Year Ended 30 September 2003

12 DEBTORS

	2003 £	Group 2002 £	2003 £	Company 2002 £
Trade debtors	1,476,915	1,267,878	-	-
Amounts owed by group undertakings	-	-	4,533,185	3,903,000
Corporation tax	323,278	786,385	-	-
Other debtors	137,075	101,520	7,865	71,606
Prepayments	318,110	217,606	20,995	26,602
Deferred taxation	225,000	-	-	-
	2,480,378	2,373,389	4,562,045	4,001,208

Included in amounts owed by group undertakings for the Company is £4,535,185 (2002 £3,903,000) falling due after more than one year.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	Group 2002 £	2003 £	Company 2002 £
Current instalments on loans	36,250	-	-	-
Obligations under finance leases	377,070	131,431	-	-
Trade creditors	1,934,829	899,821	286,565	206,195
Amount payable to former parent undertaking	323,278	786,385	-	-
Other taxation and social security costs	62,318	41,550	-	-
Deferred income	124,700	519,669	-	-
Other creditors	31,287	64,998	-	-
Accruals	261,870	168,890	8,630	11,235
	3,151,602	2,612,744	295,195	217,430

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2003 £	Group 2002 £	2003 £	Company 2002 £
Loans	1,051,250	-	-	-
Obligations under finance leases	122,247	162,292	-	-
	1,173,497	162,292	-	-

Notes to the Financial Statements

for the Year Ended 30 September 2003

15 LOANS

	2003 £	Group 2002 £	2003 £	Company 2002 £
Amounts falling due:				
In one year or less or on demand	36,250	-	-	-
In more than one year but less than two years	108,750	-	-	-
In more than two years but less than five years	326,250	-	-	-
In more than five years	616,250	-	-	-
	1,087,500	-	-	-

The long-term loan is a mortgage facility secured against freehold land and buildings. The loan is repayable in equal instalments monthly, over a ten-year period commencing June 2004. The rate of interest payable is 1.65% over HSBC Bank PLC's base rate.

16 OBLIGATIONS UNDER FINANCE LEASES

	2003 £	Group 2002 £	2003 £	Company 2002 £
Payable within one year	377,070	131,431	-	-
Payable between one and two years	122,247	114,979	-	-
Payable between two and five years	-	47,313	-	-
	499,317	293,723	-	-

17 OTHER FINANCIAL COMMITMENTS

At 30 September 2003 the Group had annual commitments under non-cancellable operating leases as follows:

	Land & buildings		Other	
	2003 £	2002 £	2003 £	2002 £
Expiring within one year	66,795	44,020	1,600	-
Expiring between one and two years	-	-	3,157	1,541
Expiring between two and five years	-	-	191	191
Expiring in greater than five years	77,221	77,221	-	-
	144,016	121,241	4,948	1,732

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

Notes to the Financial Statements

for the Year Ended 30 September 2003

18 CALLED UP SHARE CAPITAL

	No.	2003 £	No	2002 £
Authorised				
Ordinary shares of 10p each	27,000,000	2,700,000	20,000,000	2,000,000
<hr/>				
	No.	£		
Allocated, called up and fully paid				
At 1 October 2002	13,000,000	1,300,000		
Issued at placing and open offer	6,500,000	650,000		
<hr/>				
At 30 September 2003	19,500,000	1,950,000		

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

On 23 June 2003 the authorised share capital of the Company was increased to 27,000,000

On 23 June 2003 the Company issued a further 6,500,000 ordinary shares of 10.0 pence each by way of a placing and open offer at a price of 80.0 pence per ordinary share.

At 30 September 2003 the Company had issued 1,343,138 ordinary shares under the unapproved share option scheme to employees, details of which are as follows:

	At 1 October 2002 No	Granted in year No	At 30 September 2003 No	Exercise price pence	Date from which exercisable	Expiry date
Issue 13 June 2002	691,040	-	691,040	100.0	14.06.05	12.06.12
Issue 7 July 2003	-	652,098	652,098	96.5	08.07.06	06.07.13
<hr/>						
	691,040	652,098	1,343,138			

Notes to the Financial Statements

for the Year Ended 30 September 2003

19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group

	Share capital £	Share premium £	Merger reserve £	Profit & loss account £	Total £
As at 1 October 2002	1,300,000	5,597,837	29,728,872	(31,804,239)	4,822,470
Issue of shares	650,000	4,550,000	-	-	5,200,000
Issue costs	-	(515,344)	-	-	(515,344)
Profit for the year	-	-	-	1,041,881	1,041,881
At 30 September 2003	1,950,000	9,632,493	29,728,872	(30,762,358)	10,549,007

Company

	Share Capital £	Share Premium £	Profit & loss Account £	Total £
As at 1 October 2002	1,300,000	5,597,837	(4,322)	6,893,515
Issue of shares	650,000	4,550,000	-	5,200,000
Issue costs	-	(515,344)	-	(515,344)
Loss for the year	-	-	(3,033)	(3,033)
At 30 September 2003	1,950,000	9,632,493	(7,355)	11,575,138

20 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2003 £	2002 £
Operating profit/(loss)	731,876	(3,326,784)
Depreciation of tangible fixed assets	299,837	432,993
Decrease / (increase) in stock	234,259	(162,146)
Increase in debtors	(259,854)	(834,975)
(Decrease)/increase in creditors	(561,302)	859,155
Net cash inflow/(outflow) from operating activities	444,816	(3,031,757)

(b) Analysis of net movement in net funds

	2002 £	Cash Flow £	2003 £
Cash at bank and in hand	264,546	219,241	483,787
Bank loan	-	(1,087,500)	(1,087,500)
Short-term deposits*	2,350,000	4,427,964	6,777,964
Finance leases	(293,723)	(205,594)	(499,317)
	2,320,823	3,354,111	5,674,934

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

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

Notes to the Financial Statements

for the Year Ended 30 September 2003

21 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 9. 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, long-term loans and finance leases.

The Group's policy during the year ended 30 September 2003 was to place the majority of its cash on short-term deposit with its bankers, to finance the purchase of freehold land and buildings through mortgage finance and to finance the purchase of fixed assets through sale and leaseback, where possible, for cash flow purposes.

The Group's exposure to interest rate risk is limited to finance leases which are typically fixed rate, and its mortgage facility and cash deposits which are typically floating rate.

As permitted by Financial Reporting Standard ("FRS") No.13 the disclosures below with the exception of currency exposure, exclude short-term debtors and creditors.

Interest rate risk profile of financial assets

The interest rate profile of financial assets of the Group as at 30 September 2003 is as follows:

	Financial assets on which no interest is earned £	Floating rate financial assets £	Total £
2003			
Sterling	348,467	6,777,964	7,126,431
US Dollar	135,320	-	135,320
	483,787	6,777,964	7,261,751
2002			
Sterling	264,546	2,350,000	2,614,546
	264,546	2,350,000	2,614,546

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

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 30 September 2003 is as follows:

	Fixed rate financial liabilities £	Floating rate financial liabilities £	Total £
2003			
Sterling	499,317	1,087,500	1,586,817
2002			
Sterling	293,723	-	293,723

The weighted average interest rate on fixed rate financial liabilities at 30 September 2003 was 7.1% (2002 6.2%).

The weighted average period to maturity of fixed rate financial liabilities at 30 September 2003 was 17 months (2002 24 months).

The fixed rate financial liabilities were confined to obligations under finance leases. Floating rate financial instruments comprise a mortgage facility with the Group's principal banker with an interest rate of 1.65% over the bank's base rate.

Notes to the Financial Statements

for the Year Ended 30 September 2003

21 FINANCIAL INSTRUMENTS (continued)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities as at 30 September 2003 was

	2003 £	2002 £
Payable within one year	413,320	131,431
Payable between one and two years	230,997	114,979
Payable between two and five years	326,250	47,313
Payable in more than five years	616,250	-
	1,586,817	293,723

Currency exposures

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

Functional currency of Group operations	Net currency monetary assets		
	US Dollar £	Euro £	Total £
2003			
Sterling	293,990	60,180	354,170
2002			
Sterling	-	-	-

Borrowing facility

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

Fair Values of financial assets and financial liabilities

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

22 RELATED PARTY TRANSACTIONS

During the year the Group sold goods in the normal course of business to ML Laboratories Plc (whose shareholding in the Company was reduced from 46% to 5% on 28 May 2003) for £689,469 (2002 £260,600), £353,433 (2002 £102,577) of which related to an agreement entered into on 6 June 2002 and revised on 28 July 2003 in which ML Laboratories Plc would continue to occupy a proportion of the property leased by the Group until 30 September 2004 in return for a licence fee in respect of rent and an agreed proportion of the shared facility costs.

The Group also purchased goods in the normal course of business from ML Laboratories Plc for £13,673 (2002 £58,788)

At the balance sheet date the amount due from ML Laboratories Plc was £167,914 (2002 £176,760) and the amount owed to them was £323,278 (2002 £855,461)

23 PENSION COMMITMENTS

The Group operates a defined contribution pension scheme established with Scottish Widows Plc. The assets of the scheme are held separately from those of the Group and are independently administered. The contributions payable by the Group under the scheme amounted to £93,181 (2002 £96,733). Contributions totalling £nil (2002 £9,217) were payable at the year-end.

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Cobra Biomanufacturing Plc will be held at the offices of Collins Stewarts Limited, 9th Floor, 88 Wood Street, London, EC2V 7QR on 26 February 2003 at 11.00am.

To transact the following business:

Ordinary Business

1. To receive the accounts for the year ended 30 September 2003 and the report of the directors and the auditors thereon;
2. To re-appoint as a director, Peter Fothergill.
3. To re-appoint as a director, Michael Gatenby, having been appointed a director since the previous Annual Report
4. To re-appoint Ernst & Young LLP as auditors of the Group and to authorise the directors to determine their remuneration.

Special Business

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

5. That the directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") (in substitution for all existing authorities under the said Section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £694,771 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, 24 May 2005) and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry.
6. That the directors of the Company be and are hereby empowered pursuant to Section 95(1) of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - a. the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that, by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
 - b. the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £97,500;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or if earlier on 24 May 2005), 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



Matthew Baker
Company Secretary
2 December 2003

Registered in England No.4442927

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



Notice of Annual General Meeting

Notes:

1. Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
2. The register of directors' interests in the Company's shares 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 it closes.
3. An explanation of the special business is given in the directors' Report on pages 13.
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 24 February 2004 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 26 February 2004 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 pages 41 and 42.

Share Price Information

The Company's share price is available from the website of Cobra Biomanufacturing Plc under www.cobrabio.com.

Company Web Site

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

Shareholder Enquiries

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

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

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



Directors, Registered Office and Advisors

Directors

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

Company Secretary

Edward Matthew Scott Baker
Cobbetts
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

Bank of Scotland
600 Gorgie Road
Edinburgh
EH11 3XP

Registrars

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

Registered Office

Stephenson Building
The Science Park
Keele
Staffordshire ST5 5SP

Registered in England No: 4442927

Glossary of Terms

AIDS – Acquired Immune Deficiency Syndrome.

Bacillus subtilis – a species of Bacillus used industrially at large scale to manufacture enzymes for washing powders and garment treatment.

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

Cell Biology – the study of cells and their components, functions, behaviour and growth.

Cell Line – a cell that is maintained in culture for research and medicinal purposes.

Cell Therapy – use of live cells as medicinal products.

CMC (Chemistry, Manufacturing and Controls) dossier – crucial component of the documentation required to gain regulatory approval for human clinical trials.

CHIVAC – Chinese AIDS Vaccine initiative, an organisation developing a DNA HIV/AIDS vaccine for the Far East. The initiative comprises three projects; CHIVAC I, CHIVAC II and CHIVAC III.

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

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

Escherichia coli (E. coli) – a genus of enteric bacteria. Strains of which have over 25 years of safe industrial use as vehicles for the manufacture of biopharmaceutical products.

EuroVac – European Vaccine Effort Against HIV/AIDS, a European research cluster funded since 2000 by the European Union, comprising 21 laboratories Europe-wide developing a DNA HIV/AIDS vaccine for the Far East.

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

HIV – Human Immuno-deficiency Virus, virus which destroys the immune system leading to chronic infection and death, a disease called AIDS.

IAVI – International AIDS Vaccine Initiative, a US organisation, established in 1996. IAVI is a global organisation whose aim is the generation of preventative vaccines for HIV/AIDS that will be available worldwide.

Institut Pasteur – an organisation dedicated to the prevention and treatment of diseases. Their activities include biological research, public health activities and education.

Lentivirus – a type of virus, which can be engineered to deliver useful genes to human tissues.

Listeria – a bacteria whose ability to invade human cells can be exploited to deliver therapeutic benefit.

Malaria – a major parasitic disease transmitted by the mosquito, which causes debilitating disease and death in tropical countries.

Molecular Biology – the manipulation or engineering of genetic material.

Multiple Sclerosis – degenerative disease caused by the destruction of nerve tissue by the body's immune system.

NGO – Non-Governmental Organisations, private not for profit organisations, which fund activities to enhance the common good.

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

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

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

Recombinant – produced by genetic engineering.

SAAVI – South African AIDS Vaccine Initiative, supported by the South African Government established in 1999 as a lead programme of the Medical Research Council of South Africa, to co-ordinate the research and development and testing of HIV/AIDS vaccines in South Africa.

Salmonella – a bacteria related to E. coli which can be used for oral vaccination.

UCOE – Ubiquitous Chromatin Opening Elements, genetic elements that support the expression of protein products in mammalian cells by enabling the rapid isolation of stable, high producing bacterial strains for commercially viable production.

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



Cobra Biomanufacturing Plc

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