

cobra:bio

Expertise
Experience
Excellence

Dedicated to Contract Manufacturing



Cobra Biomanufacturing Plc

Annual Report and Accounts 2008
for the year ended 30 September

www.cobrabio.com

Contents

	Page
Cobra Overview	1
Operational Highlights & Financial Summary	2
Chairman's Statement	3
Chief Executive's Statement	4
Financial & Business Review	5-8
Board of Directors	9
Report of the Directors	10-13
Corporate Governance Statement	14-15
Report on Directors' Remuneration	16-19
Independent Auditors' Report	20-21
Group Income Statement	22
Balance Sheets	23
Cash Flow Statements	24
Statements of Changes in Equity	25
Notes to the Financial Statements	26-49
Notice of Annual General Meeting	50-51
Shareholder Information	52
Directors and Advisors	53
Glossary of Terms	54



Cobra Overview

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



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



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



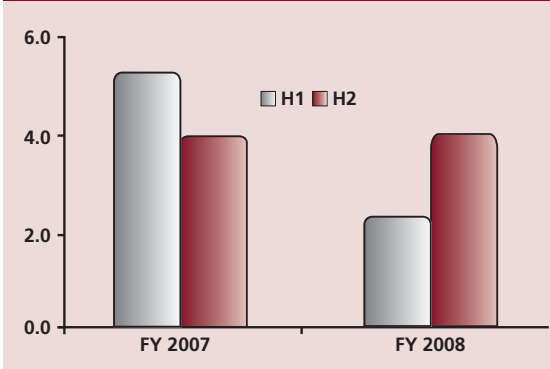
DNA (Deoxyribonucleic acid) the physical carrier of genetic information in all living cells, is being used in two main medical applications, gene therapy and vaccines. The focus for gene therapy has been in a number of genetic disorders and diseases such as, cancer and cardiovascular disease. Potentially,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



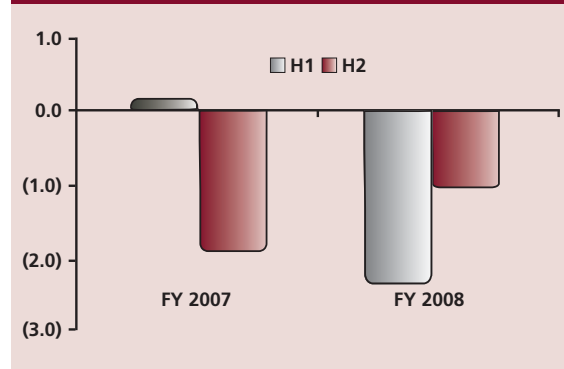
Cells or micro organisms have evolved ways of entering the human body and cause infectious diseases such as food poisoning. Genetic engineering can be used to create attenuated strains which do not cause disease and yet retain the ability to enter the human body. Such strains, and in particular bacteria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

Financial Summary

Revenue up 60% in the second half of the financial year to £4.3m compared with the first half (H1 2008: £2.7m) to give full year revenue of £7m (2007: £9.2m)



Losses reduced in the second half of the year to £1m compared with the first half (H1 2008: £2.3m loss) to give a full year loss after tax of £3.3m (2007: £1.8m loss)



- Secured contracted order book up 17% to £11m⁽¹⁾ (18 January 2008: £9.4m)

Operational Update

- Satisfactory variation agreement reached with GenVec, Inc to place their contract on hold until 30 June 2009, as announced in the trading statement on 23 March 2009

⁽¹⁾ Signed contracted order book at 1 October 2008 plus contracted orders signed from 1 October 2008 to 25 March 2009, excluding unconfirmed revenue for the existing GenVec, Inc contract



Chairman's Statement



Financial Summary 2008

The financial results for 2008 fell into two distinct phases. The first half year saw a continuation of the difficult trading encountered in the previous six months with revenue of only £2.7m (H1 2007: £5.3m); However, the second half showed the beginnings of a recovery with revenues of £4.3m (H2 2007: £3.9m); and full year revenue of £7.0m (2007: £9.2m). The loss after tax was £3.3m (2007: £1.8m).

In response to the difficult trading environment the Group has maintained a rigorous control of costs and cash. This included a headcount reduction, recruitment delays and a senior management restructuring which along with the introduction of cross functional training to achieve a more flexible multi-tasking workforce capability, will result in significant annualised cost savings and increased efficiency as we enter the new financial year. The Group also refocused its marketing effort which alongside the recent strengthening of both the US Dollar and the Euro has contributed to a secured contracted order book of £11m⁽¹⁾, 17% higher than the figure announced in our results this time last year (January 2008: £9.4m). £7.7m of these orders are scheduled for delivery in the current financial year which compared with £6m this time last year; this represents a meaningful turnaround and ensures that financial stability is being maintained.

Management

On 18 January 2008, we announced the appointment of Simon Saxby as Chief Operating Officer and at the same time David Thatcher stepped down as Chief Executive, to become a Non Executive Director of the Group as well as acting as a consultant for Cobra Oral Technologies Limited ('COT'), a subsidiary focused on our oral vaccines project. These management changes evolved further during the year with Simon Saxby then stepping up to become Chief Executive in June 2008 as I stepped down to become Non Executive Chairman later in the year.

Subsequently David Thatcher retired as a Non Executive Director on 17 January 2009 and the other Board Directors wish to acknowledge his ongoing contribution to the business not only over this last 12 months, with the evolution of COT which pending results from on going studies that should be available in the first half of the calendar year 2009, may have potential value, but also for the growth and development of the contract manufacturing business started in 1998.

Placing

In June 2008 we were able to raise £1m (net of expenses) through a placing of shares with existing large shareholders to provide funds for working capital and essential capital expenditure. The Directors would like to thank once again both our major institutional and private investors for their continued support. The placing was approved at the EGM on 30 May 2008 and resulted in Mr and Mrs Dixon becoming our largest shareholders with 43.9% of the ordinary share capital.

Outlook

There continues to be global economic uncertainty affecting all markets, including those for biopharmaceuticals, exemplified by the contract variation included in the operational update. However, our expertise gives Cobra a competitive advantage which has resulted in a secured contracted order book of £11m⁽¹⁾ (18 January 2008: £9.4m). We will continue to proactively control our costs and maximise revenue and cashflow.

Peter Fothergill
Non Executive Chairman

25 March 2009

⁽¹⁾ Signed contracted order book at 1 October 2008 plus contracted orders signed from 1 October 2008 to 25 March 2009, excluding unconfirmed revenue for the existing GenVec, Inc contract

Chief Executive's Statement



Contracted Order Book

Cobra has made significant progress this year, despite operating in a very competitive market and a tough financial climate. Our track record and reputation in the market resulted in 12 new customers this year, in addition to winning repeat business from our existing customers to increase the secured contracted order book by 17% to £11m⁽¹⁾ (18 January 2008 £9.4m), £7.7m of which is scheduled for the current financial year (18 January 2008: £6.0m).

The contracted order book includes the payments that we will receive under the variation agreed with GenVec, Inc to place their contract on hold until 30 June 2009, as announced in the trading statement on 23 March 2009, but excludes any remaining revenue from the existing contract until we get confirmation from the customer that they wish to either continue or terminate.

Notwithstanding, the secured order book now has a broader base of both European and North American clients than in previous years and reflects the strength of Cobra's reputation in the biopharmaceutical contract manufacturing market and confirms the potential for further growth within the sector.

Management Focus

During the year we focused upon keeping costs to a minimum, maximising working capital and improving the Group's operating efficiencies.

We are also looking into ways of expanding Cobra's capacity for the manufacture of mammalian cell secreted proteins which is the biggest sector of the market, as well as developing our strength in the production of viral therapeutic products.

We will continue to target other potential customers requiring long term manufacturing agreements for viral based products to reduce our reliance on short term supply contracts for clinical material and thereby introduce more revenue predictability to the business.

Revenue

The shape of the business continued to progress through 2008 with an increase in the number of contracts from European customers including the UK and Cobra's first major success in Asia with the signing of two contracts with ViroMed Co Limited in South Korea.

Revenue from our North American customers was still predominant in 2008, but fell to £3.5m (2007: £6.0m) or 50% of the total (2007: 65%) as our contract composition changed in the year. Revenue from European based customers (including the UK) provided £2.9m (2007: £3.0m), 41% of the total (2007: 33%) and revenue from the Rest of the World grew to £0.6m

(2007: £0.2m), or 9% of the total (2007: 2%). The increase in the global spread of Cobra's business provides for a more robust future with less reliance on a single market.

Protein based revenue fell to £2.4m (2007: £4.3m), 34% of the total (2007: 47%), primarily due to our limited capacity for bacterial derived proteins. We have however, through a more focused marketing effort been successful in winning a number of significant contracts for mammalian cell derived proteins and this will be reflected in future results. Virus based revenues were £2.4m (2007: £2.8m), 34% of the total (2007: 30%) maintaining Cobra's position as a leading supplier in this market, with the remaining revenue split between DNA with £1.7m (2007: £1.8m) and Cell Line work of £0.5m (2007 £0.3m).

Growth of the Business

We have identified that the production of mammalian cell secreted proteins is an area of the business that will provide significant growth opportunities as demonstrated by the number of contracts signed in 2008. These products lend themselves to manufacture using new disposable technologies, which will reduce costs, increase our operating efficiency and increase our capacity.

In addition, Cobra is one of the few contract manufacturing organisations capable of manufacturing commercial quantities of regulatory compliant viral based products.

As part of the geographical expansion of the business and in line with the opportunities in Asia, we have appointed an agent in Japan to enable Cobra to focus significant effort on the rapidly growing Japanese biologics market at a low cost entry level.

Outlook

I would like to thank all the staff at Cobra for their hard work, expertise and dedication over the past year, all of which has resulted in another record order book. A new CEO invariably means change, and I would also like to thank the Board, the management team and all the staff for their support and active involvement in introducing changes to enable Cobra to compete efficiently in the difficult financial climate faced by the industry as a whole. We will continue to fight for long term development and manufacturing relationships and strategic partnerships that will provide more predictable revenues and opportunities to expand the business.

Simon Saxby
Chief Executive

25 March 2009



Financial & Business Review



Financial Review

Income Statement

Revenue for the year fell 24% to £7m (2007: £9.2m), which resulted in a decline in the gross margin to 33% (2007: 42%) as the Group was unable to maximise the coverage of its direct manufacturing costs, a high proportion of which are fixed and essential to maintain our cGMP ('Good Manufacturing Practice') and quality standards. Research and development expenditure in the year was £0.5m (2007: £0.6m) as we utilised spare capacity on the development of new, more efficient manufacturing systems and the development of our oral vaccine platform technology, ORT-VAC. Sales, marketing and distribution costs of £1.0m (2007: £1.1m) and administrative expenses including share based payments of £3.8m (2007: £3.9m) both fell in the year as we controlled our cost base. Overall there was a loss before tax of £3.4m (2007: £1.9m loss) and after the provision for the R&D tax credit, a loss after tax of £3.3m (2007: £1.8m loss).

Balance Sheet

Cobra invested a further £0.7m in plant and equipment in the year (2007: £1.0m), lower than the previous year as we controlled expenditure. However this investment was essential to support our order book and to maintain our two facilities to cGMP and MHRA compliance.

Deferred income more than doubled in the year to £1.1m (2007: £0.5m), reflecting the strength of the secured order book. Inventories, including work in progress fell to £0.3m (2007: £0.4m), however due to the operating losses incurred and capital investment required, which were offset by net financing inflow of £0.6m (2007: £0.2m inflow), cash and cash equivalents closed at £0.3m (2007: £1.3m).

Non current liabilities fell in the year to £2.5m (2007: £2.8m) and they comprise of a bank loan with National Westminster Bank Plc of £1.8m (2007: £1.9m), secured against the freehold buildings in Oxford and a £0.3m cash deposit, and finance lease obligations of £0.7m (2007: £0.9m). The bank loan is repayable over a 13 year period which commenced November 2007 and the finance leases are repayable between 2 and 5 years.

Cash Flow

Operating cash outflow for the year was £1.3m (2007: £0.9m outflow) which in addition to capital expenditure of £0.8m (2007: £1.1m), a share placing of £1m (net of expenses) (2007: nil), an increase in the overdraft of £0.1m (2007: £0.1m),

finance leases taken out of £0.6m (2007: £0.6m), offset by finance lease and mortgage repayments of £0.9m (2007: £0.8m) and combined interest payments of £0.3m (2007: £0.2m) resulted in closing cash and cash equivalents of £0.3m (30 September 2007: £1.3m).

Share Placing

Due to the operating losses incurred in the first half of the financial year and the capital investment required primarily to modify the Oxford facility to meet FDA requirements for commercial virus production, additional funding via a placing of £1.2m (before expenses) was required in the year. The Extraordinary General Meeting was held on 30 May 2008 and all the resolutions were passed, which included a capital reorganisation (see details below), changes to the Group's Articles of Association, the approval of the Takeover Panel's requirements and the £1.2m share placing itself.

Capital Reorganisation

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

Going Concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, this being a period of not less than twelve months from the date of the approval of the financial statements.

The disclosures in Note 3 on pages 26 and 27 highlight that there are material uncertainties in providing an accurate forecast for the Group, notably the difficulty in accurately forecasting the timings of contract signatures and the subsequent cash receipts, and the renewal of the existing overdraft facilities with the bank at the end of August 2009. This therefore may cast significant doubt about the Group's ability to continue as a going concern for the foreseeable future and as a result it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Financial & Business Review

Notwithstanding, the Directors have a reasonable expectation that the Group will be able to operate within its resources and there will be sufficient funds to enable the Group to meet its liabilities as they fall due and therefore to continue as a going concern for the foreseeable future.

Taxation

At 30 September 2008, the Group had trading tax losses carried forward of £17.0m (2007: £15m) ensuring that the Group should not be obliged to pay UK corporation tax for the foreseeable future on any trading profits. The Group is also entitled to claim research and development tax relief, available under Schedule 20 of the Finance Act 2000 in respect of financial year 2008, which resulted in a credit to the Group Income Statement of £0.1m (2007: £0.1m).

Financial Risks

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management policies are constantly reviewed, taking into account changes in market conditions and the Group's activities. A formal risk management update is presented to the Board bi-annually. It is not the Group's policy to enter into financial derivatives for speculative or trading purposes and further information on the financial risks facing the Group and how the Group manages those risks can be found in note 27 Financial Instruments on pages 44 to 49.

Interest Rate, Liquidity, Credit and Foreign Currency Risk

Interest rate risk: the Group is exposed to interest rate risk on funds borrowed at both fixed and floating rates. At the year end the Group had a mortgage with the National Westminster Bank Plc ('Nat West'), with an outstanding balance of £1.9m at 30 September 2008 (2007: £2.0m). The Group currently pays a fixed rate of 1.65% over the Nat West's sterling base rate on the outstanding mortgage balance. The Group also has £0.3m overdraft facility which is utilised when required at a fixed rate currently at 2.95% over their base rate, and finance leases of £1.4m (2007: £1.5m) which are fixed rate loans with an average borrowing rate at year end of 8.7% (2007: 8.0%).

Liquidity risk: the Group manages liquidity by maintaining

banking facilities, which includes a bank overdraft and mortgage with Nat West. The Board continuously monitors its cash flow forecasts, both short and long term and then measuring those forecasts to actual performance. Consideration is also given to the maturity profiles of financial assets and liabilities.

Credit risk: the Group's credit risk relates to trade receivables, short term investments and cash and cash equivalents. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit rating agencies. The Group has no significant concentration of credit risk related to receivables, as the exposure is spread over a number of customers over different geographical areas. The Group uses publicly available trading records, web site analysis and press releases to rate both new and existing customers.

Foreign currency risk: the Group generated overseas revenue during the year, primarily from North America and Continental Europe. The position regarding currency risk is regularly reviewed and particular attention has been paid to currency hedging activity given the significant strengthening in both the US Dollar and the Euro, which has increased the current secured order book and improved Cobra's competitive advantage, but has also in the year incurred an exchange rate loss of £64k (2007: £38k gain), due to the provision of forward currency contracts against the Group's contracted US Dollar and Euro order book, taken out at a higher previous exchange rate. Foreign currency risk is partially offset by overseas expenditure which mainly comprises of the salaries and costs of the US sales team and mitigated further by the Group's specialist skills being relatively price insensitive.

Business Review

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



Financial & Business Review

whose principal activity is to act as trustee to the Group's Long Term Incentive Plan (LTIP) and Cobra Biomanufacturing LLC which is currently dormant.

Markets: of the \$32bn⁽¹⁾ (2006: \$28bn) spent on research and development by biotechnology research and development organisations in 2007, 84% or \$27bn⁽¹⁾ (2006: \$24bn) was spent by North American companies. Therefore, North America represents the primary market for Cobra's services. However there is a significant amount of research and development expenditure, \$5bn⁽¹⁾ (2006: \$4bn) spent by the rest of the world, primarily in Europe and Asia.

It is estimated that the global market for Cobra's services, biopharmaceutical contract manufacturing was worth \$2.8bn⁽²⁾ in 2008. With an anticipated annual growth rate of between 15% and 20% per annum this market is expected to be worth \$4.3bn by 2011. The vast majority of the market is for protein based manufacturing services, however there is also an available growing specialised niche market for virus based manufacturing services and DNA also maintains a steady demand. Cobra can uniquely provide manufacturing services for all of these segments in addition to cell based therapies.

Sales and marketing: North America is still the main source of revenue with 50% of the total in 2008 (2007: 65%) achieved through a US based sales force of 3 sales executives, covering the major biotechnology hubs of the US. In addition the Group has a sales executive who covers Europe (including the UK), a combined territory that generated 41% of revenue in the year (2007: 33%). The Rest of the World provided a growing contribution of 9% (2007: 2%) through direct representation in the Australasian region. The sales team focus on well funded mid size biotechnology product companies with a requirement for process development expertise and specialised manufacturing services.

Research and development: to maintain the Group's scientific competitive edge, Cobra has a molecular biology team, which employed on average 5 people in 2008 (2007: 6), through which the Group generates revenue from customer's research contracts, develops its own intellectual property, through innovative manufacturing processes, in addition to the Group's oral vaccine platform technology ORT-VAC. Research and development expenditure fell in the year to £0.5m (2007: £0.6m) as the molecular biology team dedicated more time to revenue generating contracts in the second half of the year.

Contract values: these are variable and range from £0.1m to £5m, dependent upon the size and complexity of the programme. It usually follows that the further down the regulatory process our customer is the higher the value of the potential contract. The Group has been more successful over the last 2 years in winning bigger contracts that are longer term in nature.

Commercial Risks

In addition to the financial risks included on page 6, the Group's risk management framework has highlighted to the Board the following key commercial risks facing the Group:

Customer funding: the global biopharmaceutical industry raised \$13.6bn⁽³⁾ worth of funding in 2008, a 55% fall compared with the record amount of \$30.4bn raised in 2007. The majority of Cobra's customers are mid sized biopharmaceutical companies, who are reliant upon this funding from both the public and private capital markets for their product development. Cobra constantly monitors via subscription to the appropriate database and/or the financial and trade press, the global pipeline funding to determine which companies are receiving that funding, in particular during periods of a funding downturn such as that encountered in 2008.

The major contribution in the fall in funding in 2008 was derived from public equity financing which fell 58% in the year. However the fall in private equity backed funding fell a more modest 22% to \$5.3bn from the record level of £6.8bn in 2007 which is comparable to the amounts raised in 2004 to 2006. This year Cobra has been successful in targeting and winning contracts with these privately backed organisations.

The Group carries out both technical and financial due diligence on all its customers prior to contract signature.

Regulatory compliance: Cobra is under constant pressure, from the UK pharmaceutical regulator, the Medical and Healthcare Products Regulatory Agency (MHRA), as with all companies in the sector, through the EU Clinical Trials Directive to ensure that both of our manufacturing facilities provide services that are consistent and achieve the appropriate quality standards, termed current Good Manufacturing Practice (cGMP). Non regulatory compliance with the MHRA may result in production delays or even closure of our facilities until corrective action is in place. This

⁽¹⁾ Ernst and Young's Beyond Borders Global Biotechnology Report 2008

⁽²⁾ Hi Tech Business Decisions 2008

⁽³⁾ BioCentury 07/01/2009

Financial & Business Review

risk is managed by employing and maintaining an experienced quality team of 31 employees across both facilities (2007: 30) two of which are Qualified Persons (QP).

Maintenance, validation and upgrade of facilities: both the Keele and Oxford facilities are maintained to both full cGMP and MHRA compliance. Capital investment is therefore key to ongoing activities in these facilities and Cobra invested a further £0.8m in property, plant and equipment in 2008 (2007: £1.1m), funded by additional finance leases of £0.6m (2007: £0.6m).

Recruitment, retention and training of employees: Cobra operates in a knowledge based industry and recognises the importance of the appropriate recruitment and retention of its highly skilled workforce. The Group operates a performance management and appraisal framework which links directly into the risk management process and the financial objectives of the business. Cobra has a preferred list of recruitment agents to build relationships and ensure the Group offers competitive salaries. Cobra also places great emphasis on open and dynamic communication with its employees, which includes a Staff Committee, monthly newsletter, guidance notes and published management structures and job descriptions.

Market fluctuations and customer product failure: the biopharmaceutical market is young and rapidly growing which can from time to time, be subject to trends and fluctuations. The product failure rate is also similar to the failure rate of conventional pharmaceuticals, in that 90% of phase I drugs fail to reach the commercial market. Cobra attempts to mitigate this risk, by ensuring it has a wide customer base, working with 33 customers in 2008 (2007: 35), operating in all the biopharmaceutical market segments and being very thorough in both its customer financial and product potential due diligence.

Key Performance Indicators

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

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

	FY 2008	FY 2007
Revenue	£7.0m	£9.2m
Deferred income at 30 September	£1.1m	£0.5m
Gross margin	33%	42%
Operating cash outflow	(£1.3m)	(£0.9m)
Cash and cash equivalents at 30 September	£0.3m	£1.3m
Employee recruitment: average headcount	123	136
Revenue per average headcount	£57k	£68k
	Mar 2009	Jan 2008
Contracted order book	£11.0m	£9.4m



Peter Coleman
Finance Director

25 March 2009



Board of Directors



Peter Fothergill



Simon Saxby



Peter Coleman



Michael Gatenby



David Oxlade



Nigel Slater

Peter Fothergill BA FCIM (Age 63), Non Executive Chairman

Peter has 40 years' experience in the international healthcare industry, including Chairmanship of Fisons Plc's multinational research-based Pharmaceutical Division and Consumer Health Division, where he led a series of strategic development initiatives, including acquisitions in North America, Europe and Asia, whilst achieving significant organic growth. He was a main Board Director responsible for the majority of the Group's profits when Fisons Plc was a FTSE 100 company.

Peter subsequently formed his own strategic management company that has been involved in management buy-out and buy-in arrangements, consultancies and the creation of new businesses in the private healthcare sector. He has been Chairman or Director of 16 companies and is currently Chairman of I Holland Limited, the world's leading supplier of tablet moulding tools to the global pharmaceutical industry. He is a fellow of the Chartered Institute of Marketing and sits on the boards of various charitable and public bodies.

Simon Saxby PhD (Age 50), Chief Executive

Simon Saxby has 26 years' experience in the biotechnology industry, latterly as Chief Executive of Alpha Biologics Sdn Bhd, a Malaysian contract manufacturing organisation with an office and laboratories in Cambridge UK. Simon was a founder of Murex Diagnostics, which was sold to Abbott Laboratories for \$350m, a co-founder and operations director of Quantum Biosystems Ltd, he led the development of a CMO business for Unisyn Technologies in Massachusetts, USA for 4 years and has held appointments with KS Biomedix Plc, Xenova Group Plc and Synexis Ltd.

Peter Coleman FCMA MBA (Age 42), Finance Director

Peter has 14 years' experience in the pharmaceutical/biotechnology industry and has been Cobra's Finance Director since its flotation on AIM in June 2002. Prior to Cobra he was employed in a variety of senior financial and corporate development roles. Peter qualified as a Chartered Management Accountant in 1996 and in 2001 was awarded an MBA with distinction jointly from the Manchester Business School and the University of Wales.

Michael Gatenby FCA (Age 64), Independent Non Executive Director

Michael graduated from Cambridge University with Honours in Law. He is a Chartered Accountant and was a Director of Hill Samuel and Co and Vice Chairman of Charterhouse Bank. He is currently a Director of Johnson Service Group Plc, Porvair Plc and Chairman of Alliance Pharma Plc.

David Oxlade BSc (Age 59), Independent Non Executive Director

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

Professor Nigel Slater FREng (Age 55), Independent Non Executive Director

Nigel is Professor of Chemical Engineering at the University of Cambridge with research interests in the process development and formulation of biopharmaceuticals. He is a member of the MHRA Biologicals and Vaccine Expert Advisory Group and his research portfolio has included collaborations with a number of leading pharmaceutical companies. He is the author of a number of scientific papers and patents. Additionally, he has relevant biomanufacturing development and engineering experience with Wellcome Plc and Unilever Nederland BV.

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 2008.

Principal Activities and Future Developments

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

Cobra has always traditionally had a strong presence in the provision of DNA manufacturing services and specialist protein manufacture and will continue to do so. However it is also in the process of expanding its offering in the biggest sector of the market which is the provision of manufacturing services for mammalian cell secreted protein based products, a market segment that lends itself to the greater use of disposable manufacturing systems, which reduce costs, increase operating efficiency and potentially increase capacity without the requirement for major investment in manufacturing facilities. Cobra will seek to reinforce its position as one of the few contract manufacturing organisations capable of manufacturing commercial quantities of regulatory compliant viral products, with additional viral contracts.

Cobra's main source of business over the last few years has been North America. However it is now also applying a greater marketing emphasis in the Far East, supported by the DNA contract with ViroMed Co Limited in South Korea and the appointment of a commercial agent in Japan.

Business Review

The Group is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group. The information that fulfils this requirement can be found in the Financial and Business Review on pages 5 to 8. The Business Review also includes a section on the Key Performance Indicators of the Group.

Results and Dividend

The Group loss for the year after providing for taxation was £3.3m (2007: £1.8m loss) and an equivalent amount has been deducted from reserves. The Directors do not propose the payment of a dividend (2007: nil).

The accumulated profit and loss reserve carried forward for the Group amounted to £38.8m (2007: £35.5m).

Directors

The Directors in office throughout the year are listed below.

Executive

Simon Saxby ⁽¹⁾ ⁽²⁾	Chief Executive
Peter Coleman	Finance Director and Company Secretary

Non Executive

Peter Fothergill ⁽³⁾	Non Executive Chairman
Michael Gatenby	
David Oxlade	
Nigel Slater	
David Thatcher ⁽¹⁾ ⁽⁴⁾	

Peter Coleman retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting. All Directors are subject to re-election at intervals of no more than 3 years.

Details of Directors' interests in the share capital of the Company, as shown in the register maintained in accordance with Section 325 of the Companies Act 1985, together with details of share options granted and awards made to Directors are included in the Report on Directors' Remuneration on pages 16 to 19.

Policy in Respect of Supplier Payments

The Group agrees 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 2008 the trade creditors for the Group represented 64 days (2007: 52 days) of the amounts invoiced by suppliers.

Health and Safety

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

Third Party Indemnity

The Group has made a third party indemnity provision for the benefit of the Directors which was made during the year and remains in force at the date of this report.



⁽¹⁾ On 18 January 2008: Simon Saxby was appointed Chief Operating Officer and Board Director and David Thatcher stepped down as Chief Executive to become a Non Executive Director

⁽²⁾ On 1 June 2008: Simon Saxby was appointed Chief Executive

⁽³⁾ On 1 November 2008: Peter Fothergill became a Non Executive Chairman

⁽⁴⁾ On 17 January 2009: David Thatcher stepped down as a Non Executive Director

Report of the Directors

Environmental Policy

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

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

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

Research and Development

To maintain the Group's scientific competitive edge, Cobra has a molecular biology team, which employed on average 5 people in 2008 (2007: 6), through which the Group generates revenue from customer research contracts, develops its own intellectual property, through innovative manufacturing processes, in addition to the Group's oral vaccine platform technology, ORT-VAC.

Charitable and Political Contributions

During the year the Group made no political or charitable contributions (2007: £nil).

Employee Involvement

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

Each employee receives a staff handbook, which outlines the Group's employment policies and includes a commitment to equal opportunities. The handbook is designed to attract and motivate employees regardless of sex, race, religion or disability. The staff handbook has also been updated to reflect the Employment Equality (Age) Regulations which came into force on 1 October 2007 and wherever practicable gives full consideration to applications for employment from disabled persons.

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

Pension Scheme

The Group operates a defined contribution pension scheme established with Scottish Widows Plc. The assets of the scheme are held separately from those of the Group and are independently administered.

Employee Share Schemes

Employee involvement in the financial performance of the Group is encouraged through participation in the Company's share option schemes. Further information on share options is shown in note 25 on pages 43 and 44.

Major Interests in Shares

At 23 March 2009, the following shareholders held interests in excess of 3% of the ordinary share capital:

Shareholder	Percentage holding	No of ordinary shares
Mr and Mrs Dixon	43.9%	19,450,000
Pershing Keen Nominees	6.7%	2,983,500
Chase Nominees	6.6%	2,931,675
Vidacos Nominees	5.9%	2,615,213
Cavendish Asset Management	5.1%	2,272,000
Lynchwood Nominees	3.6%	1,590,000

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 28 May 2009 at 11.00am at the offices of Cobra Biomanufacturing Plc, County Trading Estate, Watlington Road, Cowley, Oxfordshire OX4 6LX. Notice of the Annual General Meeting, together with notes on the resolutions, is on pages 50 and 51. In addition to the ordinary business there are two items of special business for consideration at the forthcoming Annual General Meeting. These are:

- Under this resolution it is proposed to give authority for the Directors to allot ordinary shares. Resolution 4 would give the Board the authority to allot up to 14,779,800 ordinary shares of 1p each which represents one third of the current issued ordinary share capital of the Company pursuant to s80 of the Companies Act 1985, together with a further 14,779,800 ordinary shares of 1p each which

Report of the Directors

represents a further one third of the issued ordinary share capital of the Company in respect of a rights issue. The authority would expire at the earlier of the conclusion of the Company's next Annual General Meeting held after the passing of this resolution or 10 July 2010 if earlier. In the event that:

(a) the actual usage of this authority exceeds one third of the nominal value of the issued ordinary share capital, and also,

(b) in the case of issuance being in whole or in part by way of a fully pre-emptive rights issue monetary proceeds exceeding one third of the pre-issue market capitalisation of the Company.

Then, in accordance with guidelines issued by the Association of British Insurers, it is intended that all members of the Board wishing to remain in office would stand for re-election at the next Annual General Meeting of the Company following the decision to make the issue in general.

2. A special resolution to renew until the end of the next Annual General Meeting or, if sooner, 10 July 2010 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 £44,339 (being 10% 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 Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with IFRS as adopted by the European Union and have also elected to prepare financial statements for the Company under IFRS. The financial statements are required by law to be properly prepared in accordance with IFRS as adopted by the European Union, the Companies Act 1985 and Article 4 of the IAS Regulation.

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

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

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

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

Going Concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, this being a period of not less than twelve months from the date of the approval of the financial statements.

Cobra had cash and cash equivalents of £0.3m as at 30 September 2008 and incurred a loss of £3.3m for the twelve months ended 30 September 2008. The Group's Directors have prepared a detailed cash flow forecast for the period ending 30 September 2010 ("the forecast") which includes a number of assumptions regarding income, expenditure, cash flows and the availability of the Group's existing overdraft facilities.



Report of the Directors

In preparing the forecast, the Directors have taken into account the recent trading activity of the Group, notably the improved trading in the second half of the financial year 2008 and the current £11m secured contracted order book. The Directors have also reviewed the value and content of the priority leads, taking into account the historical conversion rate of priority leads into secured contracts, the cost base and capital required to deliver on the income forecast, the availability of the Group's overdraft and the assumptions relating to the timing of the Group's cash flow.

However, given the nature of the Group's business, typified by both the variety and size of each contract, in conjunction with the current global economic climate, it is inherently difficult to accurately forecast the timing of contract signatures and the associated subsequent cash flows. In this regard the Directors have made prudent assumptions regarding the conversion of the priority leads into signed contracts and ultimately cash.

In addition the Group's overdraft facility is due for renewal at the end of August 2009, however based on current information available to them and the historic pattern of renewal of the facility the Directors believe the facility will be renewed, on similar terms to those currently in existence. The Directors therefore consider it reasonable to include the availability of the facility in their assessment of the going concern basis of preparation of the financial statements.

The factors set out above highlight there are material uncertainties in providing an accurate forecast for the Group, being the difficulty in accurately forecasting the timings of contract signatures and the subsequent cash receipts, and the impending renewal of the existing overdraft facilities with the bank. This therefore may cast doubt about the Group's ability to continue as a going concern for the foreseeable future and as a result it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding, the Directors believe that they have a reasonable expectation that the Group will be able to operate within its available resources and there will be sufficient funds to enable the Group to continue as a going concern for the foreseeable future.

Auditors

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

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

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

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

By the Order of the Board



Peter Coleman
Finance Director and Company Secretary

25 March 2009

Corporate Governance Statement

The Combined Code

The Directors are committed to high standards of corporate governance. The Board is accountable to its shareholders for good corporate governance and adopts the necessary structures and procedures. Although Cobra Biomanufacturing Plc is listed on the Alternative Investment Market and therefore is not required to comply with the Combined Code, the Board has reviewed the corporate governance of the Group and has implemented the changes it has felt appropriate, given the Group's size. The Board will continue to review the corporate governance of the Company during the next financial year. This statement describes the approach of the Company and the application of the principles identified in the current code, which are being applied.

Application of the Principles of the Combined Code

The Board

The Board comprises two Executive Directors, a Non Executive Chairman and three independent Non Executive Directors. The Executive Directors have a clear division of duties and meet to direct and control strategy and the operating performance of the Group. This includes the approval and monitoring of budgets, reviewing trade performance and determining risk management policies. The Company also has a schedule of matters reserved for the decision of the Board. There is an agreed procedure for Directors in the furtherance of their duties to take independent professional advice if necessary, at the Company's expense.

The Board met ten times during the financial year with each member attending as follows:

Board member	No of meetings held whilst a member	No of meetings attended
Peter Fothergill ⁽³⁾	10	10
Simon Saxby ^{(1) (2)}	7	7
Peter Coleman	10	10
David Thatcher ^{(1) (4)}	10	10
Michael Gatenby	10	10
David Oxlade	10	10
Nigel Slater	10	10



Board Committees

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

Audit Committee: comprises the three Independent Non Executive Directors with Michael Gatenby as Chairman. The Committee meets at least three times a year and the meetings are arranged to tie in with the publication of the Company's financial statements. The Committee will also meet on an ad-hoc basis where necessary. The external auditors attend the meetings at the invitation of the Committee and report as appropriate. The Committee operates within specific terms of reference, which include reviewing the Group's accounting policies, financial reporting, internal control and risk management processes. It reviews the need to appoint an internal audit function, and also considers the appointment and the audit and non-audit fees of the external auditors together with their independence and objectivity.

Remuneration Committee: comprises the three Independent Non Executive Directors with Nigel Slater as Chairman. The Committee recommends to the Board the policy on Executive remuneration and it determines on behalf of the Board, the terms and conditions of service for each Executive Director. The Report on Directors' Remuneration is set out on pages 16 to 19.

Nomination Committee: comprises the Chairman, Peter Fothergill and the three independent Non Executive Directors. Peter Fothergill is the Chairman of the Committee. The Committee operates within specific terms of reference, which includes a regular review of the Board structure, size and composition and identifying and nominating candidates to fill board vacancies, as and when they arise.

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

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.

⁽¹⁾ On 18 January 2008: Simon Saxby was appointed Chief Operating Officer and Board Director and David Thatcher stepped down as Chief Executive to become a Non Executive Director.

⁽²⁾ On 1 June 2008: Simon Saxby became Chief Executive.

⁽³⁾ On 1 November 2008: Peter Fothergill became a Non Executive Chairman

⁽⁴⁾ On 17 January 2009: David Thatcher stepped down as a Non Executive Director

Corporate Governance Statement

Committee member	Audit Committee		Remuneration Committee		Nomination Committee	
	No of meetings held whilst a member	No of meetings attended	No of meetings held whilst a member	No of meetings attended	No of meetings held whilst a member	No of meetings attended
Peter Fothergill	n/a	n/a	n/a	n/a	1	1
Michael Gatenby	2	2	1	1	1	1
David Oxlade	2	2	1	1	1	1
Nigel Slater	2	2	1	1	1	1

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

1. A schedule of matters reserved for the Board. The Board of Directors has overall responsibility for the effective running of the Group and it has a formal schedule of matters, which are specifically reserved for decisions by the Board.
2. The Board meet to manage the affairs of the Group. The Group's financial and operating performance is closely monitored at each Board meeting with formal Board reports from the Chief Executive and the Finance Director covering their areas of the business.
3. The Group's Board meet twice a year for a strategic review. The purpose of which is to formulate a long term strategy for the Group and develop a strategic framework for the achievement of the Group's financial targets.
4. The Group's Senior Management Team (the SMT) meets every two weeks to review and discuss the current issues facing the Group and its financial performance. The SMT is comprised of the operational Senior Executives, including the Chief Executive and the Finance Director who each provide an update. Each member of the SMT operates within a clearly defined Group structure and each member is given the appropriate operational authority.
5. The Group prepares an annual budget, developed through a comprehensive operational budgeting process prior to the commencement of the financial year. A revised forecast is prepared at the half year. The budget and the revised forecast are reviewed and approved by the Board and the SMT.
6. The Board and the SMT then monitor the actual monthly financial performance of the Group against the budget and the half year revised forecast, with any significant variances highlighted and explained.

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

Relations with Shareholders

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

The Board encourages individual shareholders to attend the Company's Annual General Meeting, where there is an opportunity for them to raise general business matters with the full Board. The notice of the Company's Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting. The Chairmen of the Audit, Remuneration and Nomination Committees will be available at the Annual General Meeting to answer questions. The Annual Report will be published on the Company's website www.cobrabio.com which also includes previous financial reports, press releases, presentations and other announcements made during the year.

Report on Directors' Remuneration

UNAUDITED INFORMATION

This Report describes the role and composition of the Remuneration Committee (the Committee), the Group's remuneration policy and the arrangements currently in place in respect of both Executive and Non Executive Directors.

Reward Philosophy

To ensure corporate success and enhance shareholder value, the Group needs people of high calibre able to meet the challenges it faces. The Group's overall remuneration policy aims are to:

1. Attract, develop, motivate and keep talented people at Director and Senior Executive level;
2. Pay competitive total compensation packages to Directors and Senior Executives, with a significant component linked to the attainment of performance targets. When pay levels are set, account is taken of the work a Director does, what is paid by other companies for that work and how well the Group's businesses are performing; and
3. Encourage its Directors to hold shares in the Company, which the Committee believes is an effective way of bringing together their interests with those of external shareholders.

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

Non Executive Directors' Remuneration

Non Executive Directors are appointed for an initial period of twelve months and then on a rolling contract subject to three months' notice either by themselves or the Company at a salary determined by the Executive Directors. All Directors are subject to re-election at an Annual General Meeting at least every three years. The Board set the remuneration of the Non Executive Directors with reference to third party consultants. The Non Executive Directors receive a basic salary and do not participate in the bonus arrangements, healthcare arrangements, company share option schemes or the pension scheme. The Company repays the reasonable expenses they incur in carrying out their duties as Directors. Non Executive Directors' remuneration for the year ended 30 September 2008 is set out in the following table:

	Total 2008 £000's	Total 2007 £000's
Non Executive Directors		
Michael Gatenby	23	23
David Oxlade	23	23
Nigel Slater ⁽¹⁾	23	23
David Thatcher ⁽²⁾	16	-
Total	85	69

Executive Directors' Remuneration

The Committee determines and agrees with the Board on the Group's framework of executive remuneration. It decides the specific remuneration benefits, employment conditions, pension rights, compensation payments and severance terms for the Executive Directors and the remuneration framework for the other senior managers.

The Committee investigates and takes into account the remuneration paid to the Directors of other companies of a similar size and comparable industry sector in the UK, to ensure that the levels of remuneration paid by the Group are appropriate.

The primary source of this information was provided through subscription and access to the annual New Bridge Street Consultants' 'Biotechnology Industry Remuneration Survey'. The Committee met once in the year to 30 September 2008 and the Board accepted the Committee's recommendations without amendment.

The current members of the Committee are Michael Gatenby, David Oxlade and Nigel Slater as Chairman. The members of the Committee have no personal financial interest in the Company other than as shareholders and the fees paid to them as Non Executive Directors. They are not involved in the day-to-day running of the Group's businesses.

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

⁽¹⁾ Nigel Slater's salary was paid via his consultancy company Bio-Development Limited

⁽²⁾ On 18 January 2008: David Thatcher stepped down as Chief Executive to be a Non Executive Director. His non executive director's salary was paid via his consultancy company Biosurvey Consulting Limited



Report on Directors' Remuneration

Reward Policy

The Committee's policy for Executive Directors' remuneration is to:

1. Pay a basic salary, which competes with other companies of similar size and complexity in the biotechnology sector.
2. Give Executive Directors the opportunity to increase their earnings by meeting and outperforming short term objectives through the executive bonus scheme and longer term objectives through the LTIP scheme.
3. Evolve compensation schemes that encourage Executive Directors to hold shares in the Company such as the LTIP scheme.
4. Overall, reward executives fairly and responsibly for their contribution to the Group's short and long term performance; and
5. Aligns, where appropriate the interests of the Executive Directors with those of the members.

Elements of Remuneration

In deciding the Executive Directors' total remuneration package and individual elements of it, the Committee refers to the reward policy and assesses where the Company should be positioned relative to other companies. It has obtained independent advice on appropriate comparisons and treats them cautiously. The main elements of Executive Directors' remuneration are as follows:

Basic salary: the Committee reviews basic salaries each year taking account of the various factors, elements and policies set out earlier, including Group performance. Any changes are made with effect from 1 January. The basic salaries of the Executive Directors are set out in the table overleaf.

Performance related bonus: the annual bonus further motivates the Executive Directors and other Senior Executives to achieve the Group's financial objectives for the financial year. The Committee reviews regularly the basis of the bonus and the targets to be achieved. Given the financial performance for 2008, the Committee decided not to pay a bonus to the Executive Directors or the Senior Executives.

Long term incentive arrangements: the Company operates the Cobra Biomanufacturing Plc 2007 Long Term Incentive Plan (LTIP) for the Executive Directors, in addition to the Company's unapproved share option scheme, which is open to all employees of the Company. Both schemes are able to grant options within the Enterprise Management Scheme.

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

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

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

The first awards under the LTIP were made in August 2007 and were matching awards (details of which are included in the Directors' Share Options and Performance Related Share Awards table on page 19). The performance targets in achieving the options were over a three year period and were split 50% on achievement of a cumulative EPS target of 12 pence and 50% on total shareholder return in comparison to other companies within the FTSE Small Cap Pharmaceutical and Biotechnology Sector.

Other benefits: the Chief Executive, Simon Saxby and the Finance Director, Peter Coleman both receive as benefits a motor car, private healthcare and death and disability in service cover.

Pension arrangements: the Chief Executive, Simon Saxby 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 made a contribution of 10% of their salary and both were required to make a minimum contribution of 3% of their basic salary. The scheme also provides a lump sum death in service benefit.

Service Contracts

The Chief Executive, Simon Saxby has a notice period of 6 months and Peter Coleman, the Finance Director has a notice period of one year. There are no special provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

Report on Directors' Remuneration

AUDITED INFORMATION

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

	Basic salary £000's	Compensation for loss of office Benefits £000's	Remuneration 2008 £000's	Pension 2008 £000's	Remuneration 2007 £000's	Pension 2007 £000's
Executive Directors						
Peter Coleman	105	8	-	113	8	108
Peter Fothergill ⁽¹⁾ (2)	120	3	-	123	16	111
Simon Saxby ⁽³⁾ (4)	106	4	-	110	8	-
David Thatcher ⁽³⁾	56	4	175	235	5	187
Total	387	19	175	581	37	406

Directors' Interests

At 30 September 2008, the Directors had the following beneficial interests in the Company's shares and options to subscribe for shares under the Company's share option scheme:

	Ordinary shares of 1p each 2008 No (000's)	Ordinary shares of 10p each 2007 No (000's)	Share options 2008 No (000's)	Share options 2007 No (000's)
Executive Directors				
Simon Saxby	260	-	-	-
Peter Coleman	280	20	190	190
Non Executive Directors				
Peter Fothergill	326	66	510	510
Michael Gatenby	160	30	-	-
David Oxlade	130	-	-	-
Nigel Slater	139	9	-	-
David Thatcher	197	67	-	646

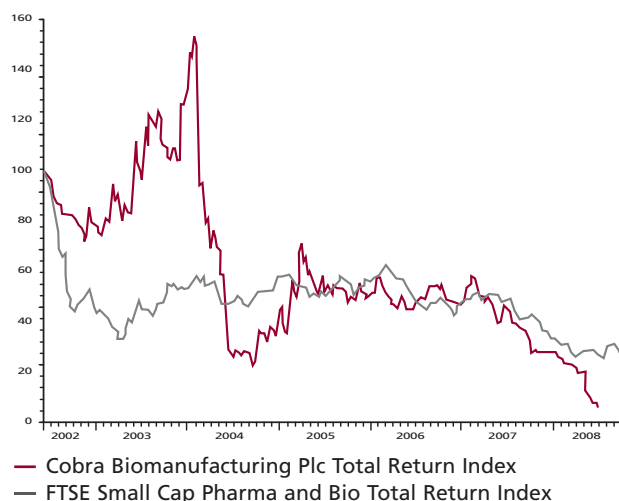
From the end of the financial year until 25 March 2009 there have been no changes in the above interests.

UNAUDITED INFORMATION

Performance Graph

The graph shows the Company's Total Shareholder Return compared to the FTSE Small Cap Pharmaceutical & Biotechnology Sector for the period from 13 June 2002 to 31 October 2008. Total Shareholder Return is defined as share price growth plus reinvested dividends. Given its size and market sector, the Company believes that they are the most appropriate basis for comparison as a relevant equity index of which it is a member.

- (1) On 1 November 2008: Peter Fothergill became a Non Executive Chairman.
 (2) Peter Fothergill's pension and benefits were paid via his consultancy company Countersett Limited.
 (3) On 18 January 2008: Simon Saxby was appointed Chief Operating Officer and Board Director and David Thatcher stepped down as Chief Executive to be a Non Executive Director.
 (4) On 1 June 2008: Simon Saxby became Chief Executive.



Report on Directors' Remuneration

Director's Share Options and Performance Related Share Awards

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

	At 1 October 2007 No (000's)	Granted In year No (000's)	Forfeited In year No (000's)	At 30 September 2008 No (000's)	Exercise price pence	Date from which exercisable	Expiry date	Performance conditions
David Thatcher⁽¹⁾								
Unapproved scheme	230	-	(230)	-	100.0	14.06.05	12.06.12	n/a
Unapproved scheme(i)	269	-	(269)	-	96.5	08.07.06	06.07.13	n/a
Unapproved scheme	116	-	(116)	-	27.5	13.07.07	11.07.14	n/a
LTIP matching award	31	-	(31)	-	Nil	01.10.09	23.08.16	1&2
	646	-	(646)	-				
Peter Fothergill								
Unapproved scheme	200	-	-	200	100.0	14.06.05	12.06.12	n/a
Unapproved scheme	207	-	-	207	96.5	08.07.06	06.07.13	n/a
Unapproved scheme	73	-	-	73	27.5	13.07.07	11.07.14	n/a
LTIP matching award	30	-	-	30	Nil	01.10.09	23.08.16	1&2
	510	-	-	510				
Peter Coleman								
Unapproved scheme	60	-	-	60	100.0	14.06.05	12.06.12	n/a
Unapproved scheme(ii)	74	-	-	74	96.5	08.07.06	06.07.13	n/a
Unapproved scheme(ii)	33	-	-	33	27.5	13.07.07	11.07.14	n/a
LTIP matching award	23	-	-	23	Nil	01.10.09	23.08.16	1&2
	190	-	-	190				

⁽¹⁾On 18 January 2008 David Thatcher, stepped down as Chief Executive to become a Non Executive Director, and as in the intervening 6 months period after that date he did not take up his option to purchase shares he is deemed to have forfeited his right to do so.

Performance Criteria:

1. EPS Target: for each complete 1 penny by which the aggregate of the earnings per share in respect of the financial years 2007, 2008 & 2009 is achieved, the participant is entitled to exercise 4.17% of the options granted, up to a maximum 12 pence or 50% of the options granted.
2. TSR: If the Company is ranked equal to the 50th percentile of the FTSE Small Cap Pharmaceutical and Biotechnology Sector at the end of the financial year 2008, the participant is entitled to exercise 25% of the options granted, for each complete 1% by which the Company is ranked above the 50th percentile, the participant is entitled to exercise a further 1%, up to a maximum of the 75th percentile or 50% of the options granted.

Notes:

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

All of the share options granted to the Directors under the unapproved share option scheme were granted at the closing mid market price on the last dealing day before grant. The market price of the Company's shares at 30 September 2008 was 3.50 pence (28 September 2007 29.25 pence) and the range during the year was 28.50 pence to 3.50 pence.



Nigel Slater
Chairman - Remuneration Committee

25 March 2009

Independent Auditors' Report to the Members of Cobra Biomanufacturing Plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Cobra Biomanufacturing Plc for the year ended 30 September 2008 which comprises the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report on Directors' Remuneration which is described as being audited.

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

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and associated financial statements in accordance with applicable law and IFRSs as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes specific information presented in the Financial and Business Review that is cross referenced from the Business Review section of the Financial and Business Review.

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises the Report of the Directors, the unaudited part of the Report on Directors' Remuneration, the Chairman's Statement, the Financial and Business Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

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



Independent Auditors' Report to the Members of Cobra Biomanufacturing Plc

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and Parent Company's affairs as at 30 September 2008 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and,
- the information given in the Report of the Directors is consistent with the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to the disclosures made in Note 3 of the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of £3.3m during the year ended 30 September 2008, and at that date had cash and cash equivalents of £0.3m. The ability of the Company to continue as a going concern is dependent upon the amount and value of the priority leads and the timing of lead conversion and the resultant receipt of cash pertaining to those leads and the continued availability of the overdraft facility on the same terms as it is currently, when that facility comes up for renewal at the end of August 2009.

The Directors have prepared a cash flow forecast which makes assumptions about the conversion of forecasted leads to secured contracts, and the subsequent receipt of cash relating to those forecasted leads. Due to the nature of the Group's business typified by the variety and size of each contract and in conjunction with the current global climate, it is inherently difficult to forecast accurately the timing of contract signatures and the associated subsequent cash flows, but the Directors consider that their assumptions are prudent.

Additionally, the current overdraft facility is due for renewal at the end of August 2009. This facility has been consistently available to the Group, and through continual dialogue with the bank the Directors are confident that this facility will continue to be renewed on the same basis as it is currently.

These conditions, along with other matters as set forth in Note 3, indicate the existence of certain material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern, as it is not practicable to determine or quantify them.



Deloitte LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

25 March 2009

Group Income Statement

for the Year Ended 30 September 2008

	Notes	2008 £000's	2007 £000's
Revenue	5&6	7,009	9,194
Cost of sales		(4,686)	(5,329)
Gross profit	6	2,323	3,865
Sales, marketing and distribution costs		(1,048)	(1,058)
Research and development		(532)	(606)
Administrative expenses (excluding share based payments)		(3,789)	(3,914)
Share based payments		(20)	(32)
Total administrative expenses		(3,809)	(3,946)
Reorganisation costs		-	(90)
Operating loss		(3,066)	(1,835)
Finance income	10	18	101
Finance costs	11	(334)	(151)
Loss before tax		(3,382)	(1,885)
Taxation	12	107	110
Loss for the year attributable to equity holders of the Parent Company	7	(3,275)	(1,775)
Basic loss per share	14	(11.0)p	(9.1)p

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



Balance Sheets

as at 30 September 2008

	Notes	Group 2008 £000's	Group 2007 £000's	Company 2008 £000's	Company 2007 £000's
Non current assets					
Property, plant and equipment	15	8,203	8,504	-	-
Intangible assets	16	125	143	-	-
Investments in subsidiary	17	-	-	600	600
		8,328	8,647	600	600
Current assets					
Inventories	18	301	382	-	-
Trade and other receivables	19	1,848	1,456	4,464	1,833
Short term investments		-	275	-	275
Cash and cash equivalents	19	291	1,338	277	1,336
		2,440	3,451	4,741	3,444
Total assets		10,768	12,098	5,341	4,044
Current liabilities					
Bank loans and overdraft	20	(371)	(194)	(30)	-
Obligations under finance leases	21	(663)	(639)	-	-
Trade and other payables	22	(2,138)	(1,674)	(372)	(274)
Deferred income		(1,091)	(516)	-	-
		(4,263)	(3,023)	(402)	(274)
Net current (liabilities)/assets		(1,823)	428	4,339	3,170
Non current liabilities					
Bank loans	20	(1,763)	(1,916)	-	-
Obligations under finance leases	21	(704)	(890)	-	-
		(2,467)	(2,806)	-	-
Total liabilities		(6,730)	(5,829)	(402)	(274)
Net assets		4,038	6,269	4,939	3,770
Equity					
Called up share capital	24	443	1,959	443	1,959
Deferred shares	24	1,763	-	1,763	-
Share premium		10,411	9,634	10,411	9,634
Merger reserve		29,729	29,729	-	-
Other reserves		473	453	473	453
Profit and loss reserve		(38,781)	(35,506)	(8,151)	(8,276)
Total equity		4,038	6,269	4,939	3,770

The financial statements on pages 22 to 49 were approved by the Board of Directors on 25 March 2009 and were signed on its behalf by:


Peter Fothergill
Chairman


Peter Coleman
Finance Director

Cash Flow Statements

for the Year Ended 30 September 2008

	Notes	2008 Group £000's	2007 Group £000's	2008 Company £000's	2007 Company £000's
Net cash (outflow)/inflow from operating activities	26	(1,265)	(871)	260	(263)
Investing activities					
Proceeds from disposal of property, plant and equipment		54	-	-	-
Interest received		18	63	15	54
Payments to acquire property, plant and equipment		(798)	(1,069)	-	-
Payments to acquire intangible assets		-	(4)	-	-
Decrease in short term deposits		275	-	275	-
Net cash (outflow)/inflow from investing activities		(451)	(1,010)	290	54
Financing activities					
New borrowings		-	487	-	-
Repayment of borrowings		(111)	(253)	-	(1,796)
(Increase)/decrease in amounts owed by Group undertakings		-	-	(2,665)	571
Lease finance acquired via sale and leaseback		580	558	-	-
Repayment of capital elements of finance leases		(742)	(502)	-	-
Increase in overdraft		135	80	30	-
Issue of ordinary shares		1,024	-	1,024	-
Interest on bank loans		(152)	(45)	-	-
Interest element of finance leases		(118)	(106)	-	-
Net cash inflow/(outflow) from financing activities		616	219	(1,611)	(1,225)
Decrease in cash and cash equivalents		(1,100)	(1,662)	(1,061)	(1,434)
Opening cash and cash equivalents		1,338	2,940	1,336	2,784
Effect of foreign exchange gains/(losses)		53	60	2	(14)
Closing cash and cash equivalents		291	1,338	277	1,336



Statements of Changes in Equity

as at 30 September 2008

Group

	Share capital £000's	Deferred shares £000's	Share premium £000's	Merger reserve £000's	Other reserves £000's	Profit and loss reserve £000's	Total £000's
At 1 October 2006	1,959	-	9,634	29,729	421	(33,731)	8,012
Share based payments	-	-	-	-	32	-	32
Loss for the year	-	-	-	-	-	(1,775)	(1,775)
At 30 September 2007	1,959	-	9,634	29,729	453	(35,506)	6,269
Capital reorganisation (see note 24)	(1,763)	1,763	-	-	-	-	-
Issue of new equity shares (see note 24)	247	-	-	-	-	-	247
Premium arising on issue of equity shares	-	-	990	-	-	-	990
Expenses arising on issue of equity shares	-	-	(213)	-	-	-	(213)
Share based payments	-	-	-	-	20	-	20
Loss for the year	-	-	-	-	-	(3,275)	(3,275)
At 30 September 2008	443	1,763	10,411	29,729	473	(38,781)	4,038

Company

	Share capital £000's	Deferred shares £000's	Share premium £000's	Other reserves £000's	Profit and loss reserve £000's	Total £000's
At 1 October 2006	1,959	-	9,634	421	(8,318)	3,696
Share based payment	-	-	-	32	-	32
Profit for the year	-	-	-	-	42	42
At 30 September 2007	1,959	-	9,634	453	(8,276)	3,770
Capital reorganisation (see note 24)	(1,763)	1,763	-	-	-	-
Issue of new equity shares (see note 24)	247	-	-	-	-	247
Premium arising on issue of equity shares	-	-	990	-	-	990
Expenses arising on issue of equity shares	-	-	(213)	-	-	(213)
Share based payments	-	-	-	20	-	20
Profit for the year	-	-	-	-	125	125
At 30 September 2008	443	1,763	10,411	473	(8,151)	4,939

Notes to the Financial Statements

for the Year Ended 30 September 2008

1 GENERAL INFORMATION

Cobra Biomanufacturing Plc is a company incorporated in the UK under the Companies Act 1985. The address of the registered office is given on page 53. The nature of the Group's operations and its principal activities are set out in note 6 on pages 32 to 34 and in the Financial and Business Review on pages 5 to 8.

The financial information for the year ended 30 September 2007 and 2008 has been prepared under the historical cost basis and is presented in pounds sterling because this is the currency of the primary economic environment in which the Group operates.

2 ADOPTION OF NEW STANDARDS

In the current year, an interpretation issued by the International Financial Reporting Interpretations Committee is effective. This is IFRIC 11 IFRS 2 'Group and Treasury Share Transactions'. The adoption of this interpretation has not led to any significant changes in the Group's accounting policies.

The Group also adopted IFRS 7 'Financial Instruments: Disclosures' in the year. The adoption of this standard has resulted in further disclosures around the Group's risk management policies and financial assets and liabilities.

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

IFRS 1 (revised)	First Time Adoption of IFRS
Amendment to IFRS 2	Vesting conditions and cancellations
IFRS 3 (revised)	Business Combinations
IFRS 8	Operating Segments
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 12	Service Concession Arrangements ⁽¹⁾
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a net Investment of a Foreign Operation
IFRIC 17	Distribution of Non cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers
IAS 1 (revised)	Presentation of Financial Instruments
IAS 23 (revised)	Borrowing Costs
Amendment to IAS 27	Consolidation and Separate Financial Statements
IAS 32 (amended) IAS 1 (amended)	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IAS 39	Financial Instruments: Recognition and Measurement: Eligible Hedged Items
Amendments to IAS 39	Reclassification of Financial Assets: Effective Date and Transition

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except for additional disclosures on the adoption of IFRS 8.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

Going concern: In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the financial statements.



⁽¹⁾ IFRIC 12 is not yet endorsed and therefore cannot be effective

Notes to the Financial Statements

for the Year Ended 30 September 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group had cash and cash equivalents of £0.3m as at 30 September 2008 and incurred a loss of £3.3m for the twelve months ended 30 September 2008. The Group's Directors have prepared a detailed cash flow forecast for the period ending 30 September 2010 ("the forecast") which includes a number of assumptions regarding income, expenditure, cash flows and the availability of the Group's existing overdraft facilities.

In preparing the forecast, the Directors have taken into account the recent trading activity of the Group, notably the improved trading in the second half of the financial year 2008 and the current £11m secured contracted order book. The Directors have also reviewed the value and content of the priority leads, taking into account the historical conversion rate of priority leads into secured contracts, the cost base and capital required to deliver on the income forecast, the availability of the Group's overdraft and the assumptions relating to the timing of the Group's cash flow.

However, given the nature of the Group's business, typified by both the variety and size of each contract, in conjunction with the current global economic climate, it is inherently difficult to accurately forecast the timing of contract signatures and the associated subsequent cash flows. In this regard the Directors have made prudent assumptions regarding the conversion of the priority leads into signed contracts and ultimately cash.

In addition the Group's overdraft facility is due for renewal at the end of August 2009, however based on current information available to them and the historic pattern of renewal of the facility the Directors believe the facility will be renewed, on similar terms to those currently. The Directors therefore consider it reasonable to include the availability of the facility in their assessment of the going concern basis of preparation of the financial statements.

The factors set out above highlight there are material uncertainties in providing an accurate forecast for the Group, notably the difficulty in accurately forecasting the timings of contract signatures and the subsequent cash receipts, and the impending renewal of the existing overdraft facilities with the bank. This therefore may cast significant doubt about the Group's ability to continue as a going concern for the foreseeable future and as a result it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding, the Directors believe that they have a reasonable expectation that the Group will be able to operate within its available resources and there will be sufficient funds to enable the Group to continue as a going concern for the foreseeable future.

This financial information therefore does not include the adjustments that would result, if the Group were unable to continue as a going concern.

Basis of consolidation: The Company has taken the exemption available under Section 230 of the Companies Act 1985 from presenting an income statement for the Company, Cobra Biomanufacturing Plc only. The consolidated financial information comprises the accounts of Cobra Biomanufacturing Plc and its subsidiary undertakings (the Group), Cobra Biologics Limited, Cobra Oral Technology Limited, Cobra Biomanufacturing EBT Limited and Cobra Biomanufacturing LLC up to 30 September 2008.

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

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

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

Intangible assets: Are stated at cost less provisions for amortisation and impairments. Patents are amortised over their estimated useful economic lives from the time they are available for use until the end of their patent lives, which in the case of our capitalised patents is 10 years.

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

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

Notes to the Financial Statements

for the Year Ended 30 September 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost of property, plant and equipment includes directly attributable finance costs, calculated on a day to day basis, on expenditure incurred during construction and modification. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Assets under construction include the costs directly attributable to bringing the asset into working condition for its intended use.

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

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

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

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

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

Government grants: Amounts received from government grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement over the expected useful lives of the relevant assets by equal instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Inventories: Are stated in the balance sheet at the lower of cost incurred in bringing each element of inventory to its present location and condition, and net realisable value.

Raw materials: purchase cost on a first in first out basis.

Work in progress: cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal. Provision is also made for slow moving or obsolete items.

Leasing and hire purchase commitments: Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

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

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



Notes to the Financial Statements

for the Year Ended 30 September 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial instruments: Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets: All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL: Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables: Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost less any impairment.

Impairment of financial assets: Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered un-collectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets: The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity: Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments: An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements

for the Year Ended 30 September 2008

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contract liabilities: Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities: Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL: Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss as the Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities: Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost.

Derecognition of financial liabilities: The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments: The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are disclosed in note 27 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

The resulting gain or loss is recognised in profit or loss immediately. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

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



Notes to the Financial Statements

for the Year Ended 30 September 2008

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

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

Going concern: in making their judgement with regard to going concern, the Directors have considered the recent trading activity of the Group in conjunction with the preparation of a detailed cash flow forecast for the twelve month period from the date of these accounts. Further details on the judgements applied in determining the basis upon which the Directors have made their judgements on going concern can be found in note 3 on page 26.

Key sources of estimation uncertainty

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

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

5 REVENUE

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

	2008 £000's	2007 £000's
The rendering of services	6,871	9,099
License revenue	138	95
	7,009	9,194

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

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

Notes to the Financial Statements

for the Year Ended 30 September 2008

6 BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group provides contract manufacturing services for the biopharmaceutical industry.

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

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

Business segments: The business segmental results for 2008 and 2007 are as follows:

2008	Protein £000's	Virus £000's	DNA £000's	Cell Line £000's	Total £000's
Revenue by customer product type	2,383	2,392	1,653	581	7,009
Cost of sales	(1,569)	(1,350)	(1,365)	(402)	(4,686)
Gross profit	814	1,042	288	179	2,323
Sales, marketing and distribution costs					(1,048)
Research and development					(532)
Administrative expenses (excluding share based payments)					(3,789)
Share based payments					(20)
Total administrative expenses					(3,809)
Operating loss					(3,066)
Finance income					18
Finance costs					(334)
Loss before tax					(3,382)
Taxation					107
Loss for the year					(3,275)
Net assets					4,038



Notes to the Financial Statements

for the Year Ended 30 September 2008

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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

Geographic segments: the geographical segmental results for 2008 and 2007 are as follows:

2008	North America £000's	Europe (excl UK) £000's	UK £000's	Rest of the World £000's	Total £000's
Revenue by customer location	3,473	1,330	1,550	656	7,009
Cost of sales	(1,894)	(1,192)	(1,144)	(456)	(4,686)
Gross profit	1,579	138	406	200	2,323
Sales, marketing and distribution costs					(1,048)
Research and development					(532)
Administrative expenses (excluding share based payments)					(3,789)
Share based payments					(20)
Total administrative expenses					(3,809)
Operating loss					(3,066)
Finance income					18
Finance costs					(334)
Loss before tax					(3,382)
Taxation					107
Loss for the year					(3,275)
Net assets					4,038

Notes to the Financial Statements

for the Year Ended 30 September 2008

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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

7 LOSS FOR THE YEAR

This is stated after charging/(crediting):	2008 £000's	2007 £000's
Net foreign exchange rate losses/(gains)	64	(38)
Research and development	532	606
Depreciation of property, plant and equipment	912	850
Amortisation of intangible assets	18	17
Staff costs (see note 9)	4,899	4,967
Loss on sale of property, plant and equipment	7	-
Impairment loss recognised on trade receivables (see note 19)	81	71
Reversal of impairment losses recognised on trade receivables (see note 19)	(54)	(99)
Government grants	(24)	(96)



Notes to the Financial Statements

for the Year Ended 30 September 2008

8 AUDITORS' REMUNERATION

	2008 £000's	2007 £000's
Fees payable to Company's auditors for the audit of annual accounts		
Audit of Company's financial statements	18	17
Audit of Company's subsidiary's financial statements	17	16
Total audit fees	35	33
Fees payable to Company's auditors for other services to the Group		
Other services pursuant to legislation	10	16
Tax services	3	5
Other services	5	2
Total non audit fees	18	23

9 STAFF COSTS

Directors' remuneration

The full detail of Directors' remuneration and share options are included in the Report on Directors' Remuneration on pages 16 to 19.

Employees

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

<i>Group</i>	2008 No.	2007 No.
Manufacturing	81	92
Sales, marketing and distribution	10	11
Research and development	5	6
Administration	27	27
	123	136

Their aggregate remuneration comprised:

	2008 £000's	2007 £000's
Wages and salaries	4,116	4,340
Social security costs	403	426
Other pension costs	380	201
	4,899	4,967

Included in the wages and salaries analysis above are the effects of share based payments during the year of £20k (2007: £32k)

Notes to the Financial Statements

for the Year Ended 30 September 2008

9 STAFF COSTS (continued)

Company

The average monthly number of people employed by the Company within administration was 4 (2007: 3).

Their aggregate remuneration comprised:

	2008 £000's	2007 £000's
Wages and salaries	85	69
Social security costs	4	4
	89	73

10 FINANCE INCOME

	2008 £000's	2007 £000's
Bank interest receivable	18	63
Exchange rate gains	-	38
	18	101

11 FINANCE COSTS

	2008 £000's	2007 £000's
Interest payable on bank loans	152	45
Interest payable on finance leases	118	106
Exchange rate loss	64	-
	334	151

12 TAXATION

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

	2008 £000's	2007 £000's
Taxation on loss on ordinary activities		
Tax credit in relation to R&D claim	(99)	(100)
Adjustments in respect of previous periods	(8)	(10)
	(107)	(110)



Notes to the Financial Statements

for the Year Ended 30 September 2008

12 TAXATION (continued)

Factors affecting the tax credit for the year

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

	2008 £000's	2007 £000's
Loss on ordinary activities before tax	(3,382)	(1,885)
Loss on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 28% (2007 30%)	(947)	(566)
Effect of		
Disallowed expenses and non taxable income	11	5
Depreciation in excess of capital allowances	239	237
Other timing differences	5	18
Adjustment in respect of previous periods	(8)	(10)
Tax losses carried forward	617	176
Difference in R&D rate and standard rate of tax	(24)	30
Current tax credit for the year	(107)	(110)

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 £17m (2007: £15m).

In March 2007, the UK Government announced that it would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation has now been fully enacted. The deferred tax assets and liabilities, previously stated at 30% of the temporary differences, were re-measured to 28% of those amounts. In addition the effective tax rate for the year ended 30 September 2008 is 28%.

Deferred taxation

The deferred tax recognised and not recognised is as follows:

Group	Recognised	Not	Recognised	Not
	2008 £000's	Recognised 2008 £000's	2007 £000's	Recognised 2007 £000's
Accelerated capital allowances	-	(526)	-	(661)
Other timing differences	-	(15)	-	(11)
Tax losses	-	(4,802)	-	(4,455)
	-	(5,343)	-	(5,127)

The deferred tax asset has not been provided for as it is uncertain whether sufficient profit will arise in the foreseeable future to enable the asset to reverse.

Company

The deferred tax recognised and not recognised was £ nil (2007: £ nil)

13 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company for the year ended 30 September 2008 was £125k (2007 £42k profit).

Notes to the Financial Statements

for the Year Ended 30 September 2008

14 LOSS PER ORDINARY SHARE

	2008 £000's	2007 £000's
Loss for the year	(3,275)	(1,775)
Loss per share		
Weighted average number of shares (000's)	29,694	19,591
Loss per share (pence)	(11.0)	(9.1)

The loss for the year and the weighted average number of ordinary shares for calculating the diluted loss per share for the year ended 30 September 2008 are identical to that used for the basic loss per share. This is because the outstanding share options and warrants would have the effect of reducing the loss per ordinary share and would therefore not be dilutive.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Plant and laboratory equipment £000's	Motor vehicles £000's	Office equipment £000's	Freehold land & buildings £000's	Assets under construction £000's	Total £000's
Cost						
At 1 October 2006	5,766	8	549	4,229	86	10,638
Additions	790	-	68	7	134	999
Transfers	-	-	-	180	(180)	-
At 1 October 2007	6,556	8	617	4,416	40	11,637
Additions	527	-	43	4	98	672
Disposals	(105)	-	-	-	-	(105)
At 30 September 2008	6,978	8	660	4,420	138	12,204
Depreciation						
At 1 October 2006	1,599	6	316	362	-	2,283
Charge for the year	575	2	103	170	-	850
At 1 October 2007	2,174	8	419	532	-	3,133
Charge for the year	648	-	88	176	-	912
Depreciation on disposals	(44)	-	-	-	-	(44)
At 30 September 2008	2,778	8	507	708	-	4,001
Carrying amount						
At 30 September 2008	4,200	-	153	3,712	138	8,203
At 30 September 2007	4,382	-	198	3,884	40	8,504

Freehold land and buildings with a carrying value of £3.7m (2007: £3.9m) are pledged as security for the Group's borrowing facilities with Nat West (see note 20 on page 41). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

The net book value of tangible fixed assets includes £2.2m (2007: £2.0m) in respect of assets held under finance leases. The assets under finance leases consist of plant, laboratory and office equipment and motor vehicles.

The cost of tangible assets includes £74k (2007: £74k) of capitalised interest relating to the property mortgage loan taken out to purchase freehold land and buildings.



Notes to the Financial Statements

for the Year Ended 30 September 2008

16 INTANGIBLE FIXED ASSETS

<i>Group</i>	Patents £000's
Cost	
At 1 October 2006	161
Additions	-
At 1 October 2007	161
Additions	-
At 30 September 2008	161
Amortisation	
At 1 October 2006	1
Charge for the year	17
At 1 October 2007	18
Charge for the year	18
At 30 September 2008	36
Carrying amount	
At 30 September 2008	125
At 30 September 2007	143

Patent costs are amortised evenly over their useful economic lives.

17 INVESTMENTS

<i>Company</i>	Shares in subsidiary undertaking £000's
Cost	
At 1 October 2007 and at 30 September 2008	600
Provisions	
At 1 October 2007 and at 30 September 2008	-
Net book value	
At 1 October 2007 and at 30 September 2008	600

At 30 September 2008 the Company had the following wholly owned subsidiary undertakings:

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

Notes to the Financial Statements

for the Year Ended 30 September 2008

18 INVENTORIES

	Group 2008 £000's	Group 2007 £000's	Company 2008 £000's	Company 2007 £000's
Raw materials & consumables	150	222	-	-
Work in progress	151	160	-	-
	301	382	-	-

19 OTHER FINANCIAL ASSETS

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term bank deposits with a maturity of 3 months or less. The carrying amount of these assets is approximately equal to their fair value.

Trade and other receivables	Group 2008 £000's	Group 2007 £000's	Company 2008 £000's	Company 2007 £000's
Trade receivables	1,236	790	-	4
Amounts owed by Group undertakings	-	-	4,454	1,789
Other receivables	299	292	-	18
Prepayments	313	374	10	22
	1,848	1,456	4,464	1,833

The average credit period taken on the sales of services is 58 days (2007: 36 days). No interest is charged on the receivables that are overdue. An allowance has been made for estimated irrecoverable amounts from the sale of services of £109k (2007: £82k). This allowance relates to specific unpaid balances.

The Group's most significant customer accounts for £325k of trade receivables at 30 September 2008 (2007: £212k)

Impairment losses	Gross 2008 £000's	Impairment 2008 £000's	Net 2008 £000's	Gross 2007 £000's	Impairment 2007 £000's	Net 2007 £000's
The ageing of total trade receivables at the reporting date was:						
Not past due	1,037	(15)	1,022	612	(17)	595
Past due 0 to 30 days	226	(35)	191	175	-	175
Past due 31 to 60 days	26	(8)	18	18	(13)	5
Past due 61 to 90 days	24	(23)	1	18	(13)	5
Past due 91 to 120 days	4	-	4	3	-	3
More than 120 days past due	28	(28)	-	46	(39)	7
	1,345	(109)	1,236	872	(82)	790

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	Group 2008 £000's	Group 2007 £000's
Balance at the beginning of the year	82	110
Impairment reversed	(54)	(99)
Impairment recognised	81	71
Balance at the end of the year	109	82



Notes to the Financial Statements

for the Year Ended 30 September 2008

19 OTHER FINANCIAL ASSETS (continued)

Included in the Group's trade receivables are debtors with a carrying amount of £214k (2007: £195k) which are past due, but for which the Group has not provided, as there has not been a significant change in the credit quality of the receivables, the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

20 BANK LOANS AND OVERDRAFT

	Group 2008 £000's	Group 2007 £000's	Company 2008 £000's	Company 2007 £000's
Secured borrowings				
Bank overdraft	215	80	30	-
Loan	1,919	2,030	-	-
	2,134	2,110	30	-
Bank loans and overdrafts are repayable as follows:				
Within one year	371	194	30	-
In the second year	156	156	-	-
In the third to fifth years inclusive	468	468	-	-
After five years	1,139	1,292	-	-
	2,134	2,110	30	-
Amount due for settlement within 12 months	(371)	(194)	(30)	-
Amount due for settlement after 12 months	1,763	1,916	-	-

All borrowings are held in Sterling, the other principal features of the Group's borrowings are as follows;

The Group has a bank overdraft facility of £340k (2007: nil) which currently expires on 31 August 2009 and is repayable on demand. The Group currently pays an interest rate of 2.95% over the National Westminster Bank Plc's base rate on the balance of the bank overdraft. At 30 September 2008, the Group had an un-drawn committed borrowing facility of £125k.

The loan is a mortgage facility, secured against freehold land and buildings. They are repayable in monthly instalments, over a 13 year period commencing November 2007. The Group pays an interest rate of 1.65% over the National Westminster Bank Plc's base rate on the outstanding balance.

21 OBLIGATIONS UNDER FINANCE LEASES

	Group 2008 £000's	Group 2007 £000's	Company 2008 £000's	Company 2007 £000's
Finance leases are repayable as follows:				
Within one year	663	639	-	-
In the second year	408	511	-	-
In the third to fifth years inclusive	296	379	-	-
	1,367	1,529	-	-
Amount due for settlement within 12 months	(663)	(639)	-	-
Amount due for settlement after 12 months	704	890	-	-

It is the Group's policy to lease certain plant and equipment. The average lease term is 36 months (2007: 33 months). For the year ended 30 September 2008 the average effective borrowing was 8.7% (2007: 8.0%). Interest rates are fixed at the contract date. All lease payments are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Sterling.

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

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

Notes to the Financial Statements

for the Year Ended 30 September 2008

22 OTHER FINANCIAL LIABILITIES

Trade and other payables	Group 2008 £000's	Group 2007 £000's	Company 2008 £000's	Company 2007 £000's
Trade payables	1,233	1,085	216	124
Taxation	223	125	74	36
Accruals and other provisions	682	464	82	114
	2,138	1,674	372	274

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken by the Group for trade payables is 64 days (2007: 52 days). For most suppliers no interest is charged on trade payables.

23 OTHER FINANCIAL COMMITMENTS

At 30 September 2008 the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	Land & buildings		Other	
	2008 £000's	2007 £000's	2008 £000's	2007 £000's
Within one year	237	230	24	30
In the second to fifth year	728	728	14	30
After five years	363	546	-	-
	1,328	1,504	38	60

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

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

24 CALLED UP SHARE CAPITAL

On 4 June 2008 the Company subdivided and reclassified each existing ordinary 10 pence shares into one new ordinary 1 pence share and nine deferred 1 pence shares. The rights attached to the new ordinary 1 pence shares are identical in all respects to those of the existing 10 pence shares.

The deferred shares created on 4 June 2008 have no voting or dividend rights and, on a return of capital, the right only to receive the amount paid up thereon after the holders of the new ordinary 1 pence shares have received the aggregate amount paid up thereon plus £10k per new ordinary 1 pence share. They are, in effect, worthless.

Also, on 4 June 2008 the Company issued a further 24,748,000 ordinary 1 pence shares, at a placing price of 5 pence per share.

Ordinary share capital

	No. 000's	£000's
Authorised		
Ordinary 10 pence shares at 1 October 2007	27,000	2,700
Ordinary 10 pence shares subdivided into ordinary 1 pence shares	243,000	-
Converted into deferred shares	(176,320)	(1,763)
Ordinary 1 pence shares at 30 September 2008	93,680	937



Notes to the Financial Statements

for the Year Ended 30 September 2008

24 CALLED UP SHARE CAPITAL (continued)

Ordinary share capital (continued)

<i>Allotted, called up and fully paid</i>	No (000's)	£000's
Ordinary 10 pence shares at 1 October 2007	19,591	1,959
Ordinary 10 pence shares subdivided into ordinary 1 pence shares	176,320	-
Transferred to deferred shares	(176,320)	(1,763)
Issued in the year	24,748	247
Ordinary 1 pence shares at 30 September 2008	44,339	443
Deferred share capital		
<i>Allotted, called up and fully paid</i>	No. (000's)	£000's
Deferred shares at 1 October 2007	-	-
Ordinary shares converted into deferred shares	176,320	1,763
Deferred shares at 30 September 2008	176,320	1,763

25 SHARE BASED PAYMENTS

The Company operates an unapproved share option scheme for all employees of the Group. All of the share options granted under the unapproved share option scheme have been granted at either the closing mid market price on the last dealing day before grant or the average closing mid market price on the last three dealing days before grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years after grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The Company also operates an LTIP scheme for Executive Directors, details of which can be found in the Report on Directors' Remuneration on page 19. Both the LTIP and unapproved share option scheme are able to grant options within the Enterprise Management Scheme.

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

<i>Unapproved share option scheme</i>	2008 Number of share options (000's)	2008 Weighted average exercise price (in £)	2007 Number of share options (000's)	2007 Weighted average exercise price (in £)
Outstanding at the beginning of the year	1,620	0.85	1,670	0.86
Granted during the year	84	0.22	59	0.56
Forfeited during the year	(668)	0.82	(109)	0.89
Exercised during the year	-	-	-	-
Outstanding at the end of the year	1,036	0.82	1,620	0.85
Exercisable at the end of the year	871	0.90	1,505	0.88
<i>LTIP scheme</i>	2008 Number of share options (000's)	2008 Weighted average exercise price (in £)	2007 Number of share options (000's)	2007 Weighted average exercise price (in £)
Outstanding at the beginning of the year	84	nil	-	nil
Granted during the year	-	nil	84	nil
Forfeited during the year	(31)	nil	-	nil
Exercised during the year	-	nil	-	nil
Outstanding at the end of the year	53	nil	84	nil
Exercisable at the end of the year	-	nil	-	nil

Notes to the Financial Statements

for the Year Ended 30 September 2008

25 SHARE BASED PAYMENTS (continued)

There were no share options exercised in the year (2007: nil). The options outstanding at 30 September 2008 had a weighted average exercise price of £0.78 (2007: £0.81) and a weighted average remaining contractual life of 5.2 years (2007: 5.9 years). In financial year 2008, 83,572 options were granted on 26 February 2008, the aggregate of the estimated fair value of those options granted on that date is £16k. In financial year 2007, 58,697 options were granted on 15 February 2007, the aggregate of the estimated fair value of those options granted on those dates is £21k.

The inputs into the Black Scholes model are as follows:

	2008	2007
Weighted average share price	£0.75	£0.75
Weighted average exercise price	£0.72	£0.72
Expected volatility	50.4%	50.4%
Expected life	8 years	8 years
Risk free rate	4.6%	4.6%
Expected dividend yield	0.0%	0.0%

26 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Group 2008 £000's	Group 2007 £000's	Company 2008 £000's	Company 2007 £000's
Operating (loss)/profit	(3,066)	(1,835)	108	(12)
Reorganisation costs	-	90	-	-
Depreciation of property, plant and equipment	912	850	-	-
Amortisation of intangible fixed assets	18	17	-	-
Loss on sale of property, plant and equipment	7	-	-	-
Share based payments	20	32	20	32
Decrease in inventories	81	213	-	-
(Increase)/decrease in trade and other receivables	(527)	812	34	22
Increase/(decrease) in deferred income	575	(679)	-	-
Increase/(decrease) in trade and other payables	607	(436)	98	(305)
	(1,373)	(936)	260	(263)
R&D tax credit	108	65	-	-
Net cash (outflow)/inflow from operating activities	(1,265)	(871)	260	(263)

27 FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments;

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Board of Directors have overall responsibility for the establishment and oversight of the Group risk management framework. Risk management policies and systems are reviewed bi-annually to reflect changes in market conditions and the Group's activities. The Group's Audit Committee oversees how the Board and senior management monitors compliance with the Group's risk management framework.



Notes to the Financial Statements

for the Year Ended 30 September 2008

27 FINANCIAL INSTRUMENTS (continued)

Capital management risk

The Group manages its capital to ensure that the entities within the Group are able to continue as going concerns, whilst maximising shareholders' returns through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings in note 20 on page 41, cash and cash equivalents and equity attributable to equity holders as disclosed in the Statement of Changes in Equity on page 25.

Gearing ratio

The Group's Board of Directors review the capital structure and as part of this review considers the cost of capital and the costs associated with each class of capital. The gearing ratio at the year end is as follows:

Group	2008	2007
	£000's	£000's
Debt	(2,134)	(2,110)
Cash and cash equivalent	291	1,338
Net debt	(1,843)	(772)
Equity	4,038	6,269
Net debt to equity	0.46	0.12

Debt is defined as long and short term borrowings as disclosed in note 20 on page 41, equity includes all capital and reserves of the Group attributable to the equity holders of the Company, Cobra Biomanufacturing Plc.

Externally imposed capital requirements

The Group is required by National Westminster Bank Plc to hold on deposit £275k as security for its mortgage facility.

Significant accounting policies

Details of significant accounting policies and the methods adopted, including the criteria for recognition, the basis for measurement and the basis upon which the income and expenditure is recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 on pages 26 to 30 of the financial statements.

Categories of financial instruments

Group	2008	2007
	£000's	£000's
Financial assets		
Fair value through profit and loss ('FVTPL') - Held for trading	3	4
Loans and receivables (including cash and cash equivalents and treasury deposits)	1,527	2,403
	1,530	2,407
Financial liabilities		
Fair value through profit and loss ('FVTPL') - Held for trading	99	-
Amortised cost	1,233	1,085
Financial guarantee contracts	3,501	3,639
	4,833	4,724

Notes to the Financial Statements

for the Year Ended 30 September 2008

27 FINANCIAL INSTRUMENTS (continued)

Market risk

The activities of the Group, exposes the Group to the financial risks of changes in the foreign exchanges, primarily the US Dollar and the Euro and interest rates. The Group enters into derivative financial instruments when appropriate, to manage this exposure, including the following:

- Forward exchange rate contract to hedge against the exchange rate risk arising from the provision of services to overseas customers; and
- Interest rate swaps to mitigate the risk of fluctuating interest rates.

Foreign currency risk management

The Group generates a significant proportion of its order book and subsequent revenue from overseas customers in either US Dollars or Euros, with the majority of its costs denominated in GBP Sterling. This exposure to different currencies can result in gains or losses with respect to the movements in foreign exchange rates and the impact of such fluctuations can be material. Accordingly the Group, when appropriate enters into foreign currency forward contracts and/or options to manage this exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets/(liabilities) at 30 September 2008 are as follows;

	Liabilities 2008 £000's	Liabilities 2007 £000's	Assets 2008 £000's	Assets 2007 £000's
US Dollar	(158)	(71)	730	181
Euro	(7)	(62)	79	113

Foreign currency sensitivity analysis

The table below details the Group's sensitivity to a 10% strengthening in foreign currency rates against GBP Sterling which in the Board's opinion is reasonable given current market conditions. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets/(liabilities) and adjusts their translation at 30 September 2008 for a 10% strengthening in foreign currency rates. The analysis is performed on the same basis for 30 September 2007.

	US Dollar currency impact		Euro currency impact	
	2008 £000's	2007 £000's	2008 £000's	2007 £000's
Profit and loss account	(130)	(17)	(4)	-
Equity	(130)	(17)	(4)	-

A 10% weakening in foreign exchange rates against GBP Sterling would have an equal but opposite effect.

The loss indicated in the table is due to the Group's exposure to exchange rate movements in the US Dollar and Euro denominated monetary assets and liabilities. However what is not reflected is the impact of an exchange rate movement in the US Dollar and Euro denominated secured order book.



Notes to the Financial Statements

for the Year Ended 30 September 2008

27 FINANCIAL INSTRUMENTS (continued)

Forward foreign exchange contracts

The following table indicates the periods in which the cash flows associated with derivatives that are identified as FVTPL are expected to occur:

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008	2007	2008	2007	2008	2007
			\$000's	\$000's	£000's	£000's	£000's	£000's
Sell US Dollar								
Less than 3 months	1.93	2.01	1,075	435	558	216	515	218
Within 3 to 6 months	1.90	2.00	850	150	447	75	418	76
Within 6 to 12 months	1.84	n/a	1,230	-	670	-	648	-
After 12 months	1.81	n/a	125	-	69	-	67	-
Total US Dollar fair value							1,648	294
	2008	2007	2008	2007	2008	2007	2008	2007
			€000's	€000's	£000's	£000's	£000's	£000's
Sell Euro								
Less than 3 months	n/a	1.43	-	100	-	70	-	70
Total Euro fair value							-	70
Total fair value of forward exchange contracts							1,648	364

These arrangements are designed to alleviate exchange rate exposure on the secured order book for financial year 2009 and beyond and are renewed and reviewed on a revolving basis as required.

Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix of fixed and floating rate borrowings and by using interest rate swaps and cap contracts. The Group's exposure to interest rates on financial assets and liabilities are listed in the liquidity section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined upon the exposure to interest rates for both derivatives and non derivative instruments at the balance sheet date. For floating rate liabilities, the liability is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole of the year. The calculation reflects a 0.5% weakening in interest rate, which in the Board's opinion is reasonable given current market conditions.

If interest had fallen by 0.5% and all other variables remained constant the effect on the Group's financial statements would be to decrease the loss for the year ended 30 September 2008 and increase reserves by £4k (2007: £2k). This is mainly due to the Group's exposure on its variable rate borrowings.

A 0.5% increase in interest rates would have an equal but opposite effect.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the balance sheet date are determined by discounting future cash flows and the credit risk inherent in the contract. The average interest rate is based upon the outstanding balances at the balance sheet date.

Notes to the Financial Statements

for the Year Ended 30 September 2008

27 FINANCIAL INSTRUMENTS (continued)

Interest rate swap contracts (continued)

The fixed interest rate applied to the interest rate swap contract for the term of the contract is 5.91%.

The notional principal value of the interest rate swap reduces over the period of the contract. The notional principal amount at 30 September 2008 was £0.5m until 8 November 2008 when this reduced to £0.4m, until 8 November 2009 when this reduces to £0.2m. The contract expires on 8 November 2010.

The interest rate swap settles on a quarterly basis. The floating rate on the interest rate swap is 1.65% over the National Westminster Bank Plc's base rate.

The Group did not hold any interest rate swap contracts in the year ended 30 September 2007.

Credit risk management

The Group's credit risk relates to trade receivables, short term investments and cash and cash equivalents. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group has no significant concentration of credit risk related to receivables, as the exposure is spread over a number of customers over different geographical areas. The Group uses publicly available trading records, web site analysis and press releases to rate its customers.

Disclosures relating to the credit risk associated with trade receivables are in the financial and business review on pages 5 to 8 and in note 19 on pages 40 and 41.

Liquidity risk management

The Group manages liquidity risk by maintaining banking facilities, which includes a bank overdraft and mortgage with National Westminster Bank Plc and by continuously monitoring both short and long term forecasts against actual cash flows and matching maturity profiles of financial assets and liabilities. In addition to the bank overdraft, included in note 20 on page 41 is a description of bank facilities available to the Group.

The table overleaf details the Group's remaining contractual maturity for its non derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows:



Notes to the Financial Statements

for the Year Ended 30 September 2008

27 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

	Less than 1 month £000's	Within 1 to 3 months £000's	Within 3 to 12 months £000's	Within 1 to 5 years £000's	Due after 5 years £000's	Total £000's
2008						
Obligations under finance leases	60	217	474	757	-	1,508
Loans	24	71	185	1,012	1,417	2,709
Other payables	14	14	220	-	-	248
	98	302	879	1,769	1,417	4,465
2007						
Obligations under finance leases	61	184	490	1,086	-	1,821
Loans	13	66	180	1,102	1,695	3,056
Other payables	14	14	70	-	-	98
	88	264	740	2,188	1,695	4,975

Fair values of financial assets and financial liabilities

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

28 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £158k (2007: £nil), in respect of the purchase of a 150L bioreactor.

29 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 £374k (2007: £185k). Contributions totalling £44k (2007: £27k) were payable at the year end.

30 CONTROLLING PARTY

The Directors are of the opinion that Mark Dixon's 43.9% control of the issued share capital of the Company infers the right to influence certain Board decisions.

31 RELATED PARTY TRANSACTIONS

Group

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

Company

In the year a management fee of £1.9m (2007: £1.6m) was charged by Cobra Biomanufacturing Plc to Cobra Biologics Limited.

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Cobra Biomanufacturing Plc will be held at the offices of Cobra Biomanufacturing Plc, County Trading Estate, Watlington Road, Cowley, OX4 6LX on 28 May 2009 at 11.00am.

To transact the following business:

Ordinary Business

1. To receive the accounts for the year ended 30 September 2008 and the report of the Directors and the auditors thereon;
2. To re-elect as a Director, Peter Coleman;
3. To re-appoint Deloitte LLP as auditors of the Group and to authorise the Directors to determine their remuneration.

Special Business

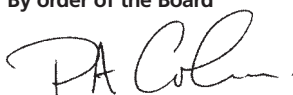
To consider and, if thought fit, (and subject in the case of resolution 5 to the passing of resolution 4) pass the following resolutions which in the case of resolution 4 will be proposed as an ordinary resolution and in the case of resolution 5 will be proposed as a special resolution:

4. (i) 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 £147,797 (representing 33% of the current issued ordinary share capital of the Company) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, 10 July 2010) 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.

(ii) That the Directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of Section 94 of the Act) in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them up to an aggregate nominal amount of £147,798 (representing 33.3% of the current issued ordinary share capital of the Company) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, 10 July 2010) 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.
5. 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 £44,339;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or if earlier on 10 July 2010), save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.

By order of the Board



Peter Coleman
Company Secretary

25 March 2009



Registered in England No.4442927

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

Notice of Annual General Meeting

Notes:

1. Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

2. An explanation of the special business is given in the Report of the Directors on pages 11 and 12.

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered in the Company's register of members on 5.00pm on 26 May 2009 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.

3. In order to be valid any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office company of such power of attorney, must reach the Company's registrars Capita Registrars not less than 48 hours before the time of the meeting or of any adjournment of the meeting.
4. Any alterations to this proxy must be initialled.
5. The register of Directors' interests in the Company's shares and copies of the Directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours from the date of the notice until the date of the meeting and at the place of the meeting from fifteen minutes before the meeting until it closes.

Shareholder Information

Annual General Meeting: the Annual General Meeting will be held on 28 May 2009 at 11.00 am at the offices of Cobra Biomanufacturing Plc, County Trading Estate, Watlington Road, Cowley, Oxfordshire, OX4 6LX. The notice of the meeting is set out on pages 50 and 51.

Company Web Site: the Company's website www.cobrabio.com provides information on the share price, products, activities and other financial information. It also includes press releases and any other information that is relevant to the Company.

Shareholder Enquiries: any queries regarding individual shareholdings, transfers etc, should be directed to Capita Registrars. Shareholders wishing to consolidate two or more individual certificates may do so by writing to the registrars, enclosing the certificates to be consolidated. Where shareholders are receiving duplicate sets of accounts or mailing, as a result of inconsistencies in the name or address details, they should advise the registrars so that this can be corrected.

Capita Share Dealing Services

A quick and easy share dealing service is available to either sell or buy more shares. An on-line and telephone dealing facility is available providing shareholders with an easy to access and simple to use service. The table below provides you with details of the associated charges:

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

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

- www.capitadeal.com (on-line dealing)
- **0871 664 0364** (telephone dealing) (Calls cost 10p per minute plus network extras)



Directors, Registered Office and Advisors

Directors

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

Registered Office

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

Registered in England No: 4442927

Auditors

Deloitte LLP
126-130 Hills Road
Cambridge CB2 1RY

Bankers

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

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
+44 (0) 871 664 0300 (Calls cost 10p per minute plus network extras)
www.capitaregistrars.com

Glossary of Terms

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

Cell line: Cells used as medicinal products.

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

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

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

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

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

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

MHRA: The UK pharmaceutical regulator, the Medicines and Healthcare products Regulatory Agency

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

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

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

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

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

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

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

Recombinant: Formed by combining two different segments

Qualified Person or QP: The quality assurance professional for medicines defined by British Law, based upon European Union directives. For clinical trial materials the QP ensures that every batch released to the clinic complies with its specification and has been made according to current cGMP. Medicines produced outside the EU can be imported and, if assessed as suitable by the QP, be used for an approved EU clinical trial.

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

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





cobra:bio

Expertise
Experience
Excellence



Cobra Biomanufacturing Plc

Keele Facility & Head Office
Stephenson Building
Keele Science Park
Keele ST5 5SP UK

Oxford Facility
County Trading Estate
Watlington Road
Oxford OX4 6LX UK

t +44 (0) 1782 714181
f +44 (0) 1782 714168

t +44 (0) 1865 785300
f +44 (0) 1865 775498

info@cobrabio.com
www.cobrabio.com

Registered in England/Wales No. 4442927
VAT Registration No. GB 792 4067 11