



making tomorrow's medicines



Cobra Biomanufacturing Plc

Annual Report and Accounts
for the year ended 30 September 2004

Contents

	Page		Page
Financial summary	1	Group profit and loss account	21
Chairman's statement	2	Balance sheets	22
Chief Executive's review	3-5	Group statement of cash flows	23
Financial review	6-9	Reconciliation of net cash flow to movement in net funds	24
Board of directors	10	Notes to the financial statements	25-37
Senior management	11	Notice of Annual General Meeting	38-39
Report of the directors	12-13	Shareholder information	40
Corporate governance	14-15	Directors and advisors	41
Report on directors' remuneration	16-19	Glossary of terms	42
Report of the auditors	20		



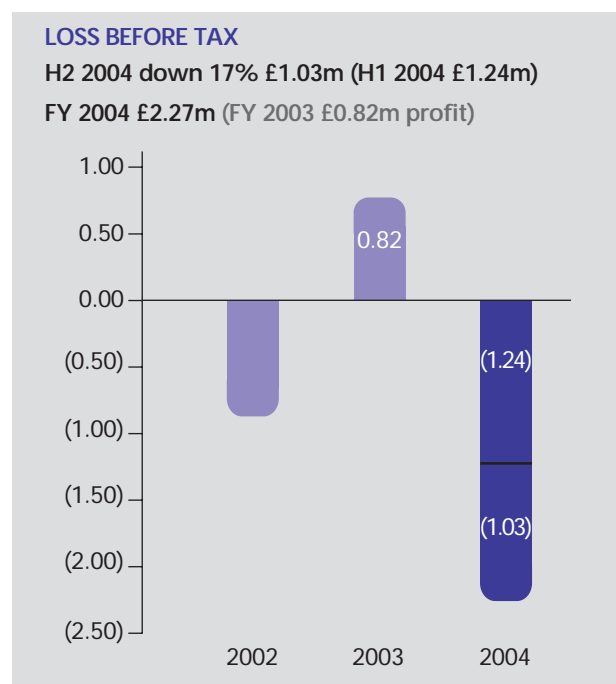
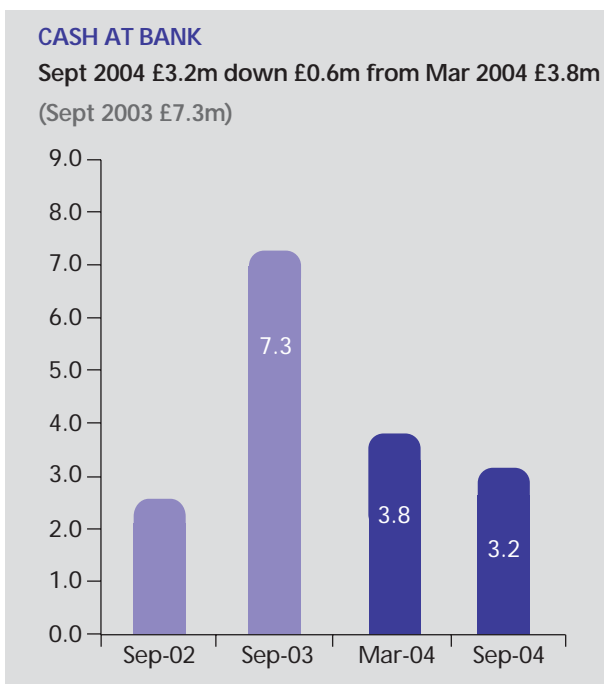
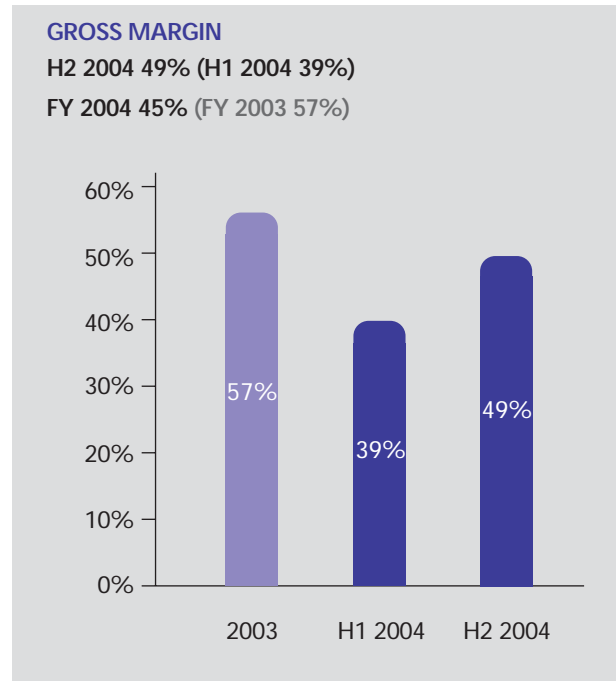
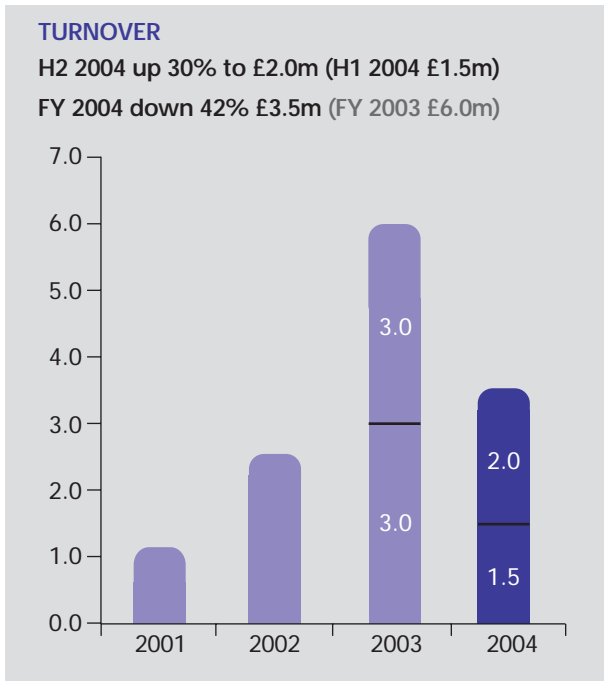
The Keele Facility, Staffordshire, UK



The Oxford Facility, Oxon, UK

Financial summary 2004

“Following a difficult first half to the financial year 2004, due to a rapid decline in demand for DNA from both new and existing customers, turnover in the second half of the year was principally from virus and protein production and led to a meaningful 30% improvement on the first half, giving full year turnover of £3.5 million.”



“Cobra’s objective is to be among the leading providers of biomanufacturing in the global marketplace, which has been and continues to be the prime focus of an internationally experienced team, whose efforts this year in difficult circumstances have re-established the platform to achieve this longer-term objective.”

Chairman's statement



Following a difficult first half to the financial year 2004 ("2004"), due to a rapid decline in demand for DNA from both new and existing customers, turnover in the second half of the year was principally from virus and protein production and led to a meaningful 30% improvement on the first half, giving a full year turnover of £3.5 million (2003 £6.0 million) and this upward trend has been maintained in the current financial year, which began with contracted business more than double the comparative figure for the previous financial year.

Turnover in the first half of the financial year was £1.5 million and £2.0 million in the second half. The loss before tax of £2.27 million for 2004 was split £1.24 million in the first half and £1.03 million in the second half. Cash at bank (including short-term deposits) at 30 September 2004 was £3.2 million (2003 £7.3 million), down £0.6 million from the £3.8 million at 31 March 2004. Whilst we have not yet made up all the ground we lost in the first half of the year, we have nevertheless come a long way and as a result of the management actions taken in response to the challenges earlier this year, Cobra retains the means to rebuild towards profitability.

The principal action taken by management has been the restructuring of sales and marketing to address the buoyant and dominant US market, with David Thatcher (Chief Executive) taking direct and personal responsibility for the key sales people located in San Francisco and Chicago. David has undertaken regular visits to the US to oversee the sales activity in each key US market. The UK based team of two sales executives are also focussed on the East Coast of the US as well as covering the UK and the relatively weak Continental European market.

In addition the Keele and Oxford facilities were restructured to optimise their efficiency, which also resulted in a reduction in headcount. Microbial production is now based at Keele and the specialised capabilities for animal cell based products are now centred in Oxford, a £4.8 million facility which was completed on time and to budget and was granted a licence to manufacture products for clinical trials in August 2004 by the Medicines and Healthcare products Regulatory Agency "MHRA", the UK pharmaceutical regulator.

The experiences of the last financial year have demonstrated how easily the business can be affected by external events. Cobra's customers range from small biotechnology to large pharmaceutical companies and our principal areas of activity are the manufacture of

DNA, virus and protein products for early stage clinical trials to the highest regulatory standards. These are scientifically 'leading-edge' and by definition carry significant risk of product failure and funding failure during their development, which directly affects Cobra's performance.

To offset these impacts management is actively seeking to broaden the customer base particularly in the US biotechnology clusters and is examining ways to expand the service offering including later stage manufacture and thereby developing longer-term relationships which can reduce the impact of the high levels of clinical trials failure. These initiatives are already beginning to gain traction with contracted business currently £2.7 million for the financial year 2005 ("2005"), with 52% from North America. If this improvement continues Cobra will recover value for its shareholders.

Cobra's objective is to be among the leading providers of biomanufacturing in the global marketplace, which has been and continues to be the prime focus of an internationally experienced team. Cobra's third financial year will be significant in the context of this longer-term objective.



G P Fothergill
Executive Chairman
11 January 2005

Chief Executive's Review



Cobra's Business

Cobra's primary business is to provide manufacturing solutions for companies developing biopharmaceutical products (products derived from genetically engineered cells) and in particular to facilitate rapid testing of such products in human clinical trials. Although the market for biopharmaceuticals is currently in the order of \$46 billion (ca 10% of the total pharmaceutical market), the technologies for the manufacture of biopharmaceutical products are in their infancy. New products require expert process development to ensure safety and potency are not compromised and also that routes to future commercialisation are viable. Cobra uses its experience and expert knowledge to develop routes to clinical evaluation of some of the most challenging products and highly regulated products in the pharmaceutical industry.

Although Cobra works with 3 of the top 5 pharmaceutical companies, Cobra's major source of revenue is small public and private biotechnology companies: the discovery engine of the pharmaceutical industry. Since flotation this market sector has accounted for 64% of Cobra's turnover and this sector will continue to be Cobra's major customer base. Such companies usually do not have products on the market and are unprofitable and cannot be sustained without periodic injections of new capital. A crucial milestone in the development of these companies is an ability to partner their products with large pharmaceutical companies. Nowadays a pre-requisite for such deals is evidence that the products are safe and effective in humans and Cobra's role is to add value to our customers' businesses by accelerating the timescale to this decision point.

As development programmes in the biotechnology sector are funded by continually raising new money from investors, Cobra's success is directly related to our customer's ability to access capital. This access is dependent upon:

- Prevailing investor sentiment towards biotechnology based medicines in general.
- The specific success of our customers' products in the clinic. The small biotechnology companies which make up a significant element of Cobra's current customer base are only able to fund the clinical development of one or two products and their ability to fund sustained growth is erratic.

Consequently Cobra's market is affected both by the macroeconomic health of the biotechnology sector and the success of our customer base with the obvious risk to Cobra's future revenue streams. The risk to Cobra's business can be reduced through:

- Widening our customer base so that we are not reliant on income from a small number of customers.
- Widening our offering to cover all the major types of biopharmaceutical product so that we can move with our customers as they adopt new types of product.
- Strongly promoting our offering to the emerging biotechnology industry worldwide, in particular in the US, the world's major biotechnology territory.

As we move into 2005 Cobra has made significant progress in these areas.

2004 was the first year when we have seen a decline in turnover.

The first half of 2004 unexpectedly saw the first downturn in Cobra's turnover since its inception. This had an obvious and understandable effect on Cobra's valuation. The causes of this downturn were due to:

- A sharp decrease in demand for plasmid DNA. Convincing data in several high profile clinical trials failed to materialise leading several customers to reconsider the role of DNA products in their research portfolios.
- The decline in the value of the dollar and the entry of new players in the DNA market resulted in an increasingly competitive environment in the US.
- Decreased research and development funding in Continental Europe. Poor capital markets impacted several of our customers who had previously contributed a significant amount of turnover as repeat business and their lack of capital led to the postponement and cancellation of both new and existing programmes.

However 2004 saw Cobra moving from being a UK centric DNA manufacturing company to a global, broad-based supplier of biopharmaceuticals.

Chief Executive's Review

Broadening the Scope of Cobra's Services

DNA manufacture: Over reliance on the DNA niche market was recognised as a risk from the outset although the rapid decline in the demand for DNA products during the first half of 2004 was not envisaged. Plans to strengthen the breadth of Cobra's product offering began to bear fruit in the second half of 2004 and Cobra is now no longer dependent on the DNA market for its future success.

Growth in Cobra's DNA business is expected to be tangible but modest until a DNA product is approved and triggers renewed research and development funding in the sector. Part of the problem besetting companies to date has been the use of inefficient formulations such as direct intra-muscular injection of plasmid DNA. Cobra is now pleased to be working with a number of companies and organisations that are using proven clinically effective formulations (particle delivery or encapsulation approaches) and is therefore well positioned to benefit from any breakthrough products in the sector.

Virus manufacture: During 2004 turnover from the manufacture of genetically engineered viruses increased by 46% somewhat offsetting the sudden decline in DNA business. Following investment in large-scale virus manufacture at our Oxford facility, we were able to attract new customers and business. This state of the art facility is well suited for the manufacture of viral products to commercial scale.

Interest in the use of genetically engineered viruses for gene therapy and genetic vaccination is increasing and Cobra's technologies and scale ensure that it is well positioned to take advantage of growth in this sector. Cobra has now broadened its experience from adenovirus to include the manufacture of genetically engineered lentivirus, reovirus, baculovirus and herpes virus.

Protein manufacture: Protein biopharmaceuticals are well established as marketed products and constitute the largest potential market for Cobra's services. Although Cobra's scale limits our current offering and competition is intense, Cobra is able through its track record and expertise to compete effectively where the products are potent. Through 2004 Cobra has continued building a business in this area and contracted business in 2005 for this type of product suggests that protein biopharmaceuticals will be the major source of income in the future.

Strengthening the Customer Base

At the time of flotation in June 2002 Cobra had worked with 24 customers. By the end of 2004 this had increased to 51. 69% of these customers are small biotechnology companies, however Cobra has supplied DNA manufacturing technology to AstraZeneca Plc and is manufacturing plasmid DNA and has concluded a Master Services Agreement for the supply of plasmid DNA for two other large pharmaceutical companies.

2004 saw significant contract wins from 12 new customers, which we hope will lead to rebuilding the level of repeat business we saw in 2003.

Strengthening the Global Business

North America is the largest potential market for Cobra's services and in terms of contracted business going forward this territory is emerging as Cobra's major market for both virus and protein products. Consequently Cobra is confident it can increase its share in this market. Despite the impact of the dollar and the disadvantages of being located in Europe, US sales and orders are increasing as a result of significant investment in a targeted sales and marketing effort in the US. Cobra has recently strengthened its commercial presence in the US by opening a sales office in the San Francisco Bay area, California the heart of the biotechnology industry and home to 420 biotechnology companies.

The funding situation in Continental Europe continues to be problematical. European business constitutes a declining source of income for Cobra and the situation is not expected to change in 2005. In 2002 and 2003 Cobra was also able to conduct significant business in the Rest of the World outside the major biotechnology hubs of Europe and North America. The size of these markets are relatively small and not surprisingly turnover from these countries is and will continue to be volatile.

The UK has historically been Cobra's main market and continues to be an important market for Cobra services. Although UK biotechnology companies are underfunded compared with their US counterparts, the UK biotechnology industry is healthy and remains a key market for our services.

Chief Executive's Review

Prospects for 2005

The prospects for Cobra's current offering are improving after a poor year in 2004. The fundamentals of the business have not changed and as a service provider to the biotechnology industry our prospects are tied to the health of the biotechnology sector. It should also be appreciated that the inherent nature of the business ensures that there is always a lag between winning orders and delivering product, which can be as much as twelve months. Funding in most areas is tight and turnover is dependent on a relatively small number of contracts, however the steps Cobra has taken to address the problems encountered in the first half of 2004 should result in a more steady pattern of growth during 2005, as evidenced by a significantly increased level of contracted business.



Dr David Thatcher
Chief Executive
11 January 2005



Oxford GMP Suite, 2004

Financial Review



2004 was a disappointing year for Cobra. Turnover from contract manufacture was down 42% to £3.5 million (2003 £6.0 million), which resulted in a loss before tax of £2.3 million (2003 £0.8 million profit) and a loss after tax of £2.4 million (2003 £1.0 million profit).

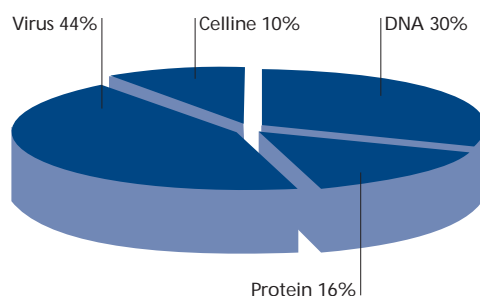
The operating loss resulted in an operating cash outflow for the year of £2.0 million (2003 £0.4 million inflow). The Group also spent a further £3.2 million on capital investment during the year, the majority of which was on the completion of the new Oxford Facility, which was partially funded through £1.1 million of sale and leaseback financing. The total cash outflow was £4.1 million (2003 £4.6 million inflow) in a financial year where a significant capital investment programme was combined with a downturn in the market for Cobra's services. The Group closed the year with a cash balance (including short-term deposits) of £3.2 million (2003 £7.3 million).

Turnover

The first half of 2004 saw an unexpected rapid decline in the global demand for DNA, which resulted in a 67% fall in turnover for that product in 2004 compared with 2003. DNA contributed 30% of the total turnover in 2004 (2003 53%). We had expected that any shortfall in DNA turnover would have been compensated for by an increase in protein turnover especially from the US and although contracted business for 2005 indicates that Cobra is making progress in this sector, protein turnover for 2004 fell by 65% and contributed 16% of the total turnover (2003 26%).

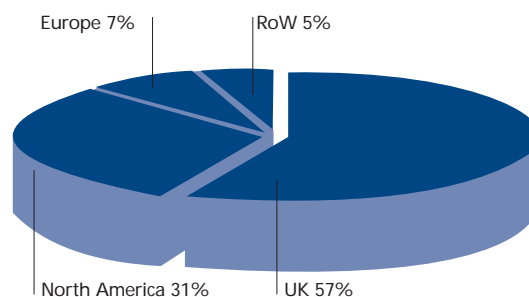
In contrast both virus and cell line turnover held up well in 2004. Virus turnover for the first time in Cobra's history exceeded DNA turnover, and both product types not only increased their share of the total, with virus contributing 44% (2003 18%) and cell line 10% (2003 3%), but more importantly, their turnover increased in real terms. Virus was up 46% on 2003 and cell line up 88%.

Turnover 2004 by product type



By product type	2004%	2004	2003	Inc/dec
DNA	30%	1,050	3,189	-67%
Protein	16%	554	1,576	-65%
Virus	44%	1,551	1,063	46%
Cell Line	10%	361	192	88%
		3,516	6,020	-42%

Turnover 2004 by destination



By destination	2004%	2004	2003	Inc/dec
UK	57%	1,993	2,114	-6%
North America	31%	1,097	1,426	-23%
Europe	7%	263	711	-63%
Rest of the World	5%	163	1,769	-91%
		3,516	6,020	-42%

Financial Review

Turnover (continued)

Cobra positions itself as a global provider of biopharmaceuticals and this again is validated by 43% of total turnover being derived from outside the UK. However Cobra still regards the UK as an important sector and we are pleased that despite a challenging marketplace we have maintained our level of product delivery in the UK, with only a 6% decline in turnover in 2004, this bodes well for the UK biotech sector as a whole.

European turnover fell by 63% in 2004, due to the funding issues of our Continental European customers. The North American sector, which potentially remains Cobra's primary market, increased its share of the total turnover from 24% in 2003 to 31% in 2004, but disappointed in real terms, falling 23% compared to 2003.

Turnover from the Rest of the World fell by 91% compared to 2003 and provided 5% of the total turnover in 2004 (2003 29%), this was as a result of the decline in demand for DNA vaccines, which had provided much of the success in 2003.

Profitability and margins

£000's	H1 2004	H2 2004	Total 2004	Total 2003
Turnover	1,530	1,986	3,516	6,020
Cost of goods	(930)	(1,021)	(1,951)	(2,617)
Gross profit	600	965	1,565	3,403
Gross margin	39%	49%	45%	57%
Operating expenses	(1,923)	(2,026)	(3,949)	(2,671)
Group operating loss	(1,323)	(1,061)	(2,384)	732
Interest	84	29	113	85
Loss before tax	(1,239)	(1,032)	(2,271)	817
Taxation	(51)	(76)	(127)	225
Loss after tax	(1,290)	(1,108)	(2,398)	1,042
Loss per share	(6.6p)	(5.7p)	(12.3p)	6.9p

Although turnover declined 42% in 2004 from 2003, there was a partial recovery in the second half ("H2") of 2004, with turnover increasing 30% compared with the first half ("H1").

Gross margins were down overall in 2004 to 45% (2003 57%) due to under utilisation of our Keele Facility, however as turnover picked up, gross margins improved from their low of 39% in H1 to 49% in H2 as capacity began to fill once more.

The Group's operating expenses increased 48% in 2004 to £3.9 million (2003 £2.7 million). This was due to the Group incurring additional overheads on the new Oxford Facility along with a significant increase in business development expenditure throughout the year. However operating costs increased by only 5% in H2 compared to H1. The result of which was a loss before tax of £1.24 million in H1 and £1.03 million in H2, which combined resulted in a full year loss before tax of £2.27 million (2003 £0.82 million profit) and with a further tax charge of £0.13 million, a loss after tax of £2.40 million (2003 £1.04 million profit).

Research and development

Cobra recognises that it has achieved its competitive advantage in the complex market of biopharmaceutical manufacturing, through investment in research and development. To maintain its leading position, Cobra increased its expenditure on research and development to £0.3 million (2003 £0.2 million) to further improve its manufacturing process and in maintaining its intellectual property portfolio.

Financial Review

Cash Flow

The Group's cash outflow for the year 2004 was £4.1 million (2003 £4.6 million inflow). Operating cash outflow was £2.0m (2003 £0.4 million inflow) and capital expenditure £3.2 million (2003 £2.4 million), £3.0 million of which was spent on upgrading and completing the Oxford Facility. This expenditure was partially offset by £1.1 million sale and leaseback financing. The Oxford Facility is now complete with a total investment to date of £4.8 million.

In the second half of the year, despite operating losses of £1.0 million and a further £1.2 million worth of capital investment, the Group's cash outflow was restricted to £0.6 million, resulting in closing cash at bank (including short-term deposits) of £3.2 million (2003 £7.3 million). This was achieved through controlling costs where necessary, financing capital purchases through sale and leaseback and proactively managing working capital.

£000's	H1 2004	H2 2004	Total 2004	Total 2003
Operating cash flow	(1,700)	(314)	(2,014)	445
Capital investment				
Keele facility	(130)	(89)	(219)	(480)
Oxford facility	(1,802)	(1,159)	(2,961)	(1,877)
	(1,932)	(1,248)	(3,180)	(2,357)
Funding				
R&D tax credit	323	-	323	497
Share issue	-	-	-	4,684
Mortgage	-	(20)	(20)	1,088
Leasing and interest	(200)	988	788	290
	123	968	1,091	6,559
Net cash flow	(3,509)	(594)	(4,103)	4,647
Opening cash at bank*	7,262	3,753	7,262	2,615
Closing cash at bank*	3,753	3,159	3,159	7,262

* including short-term deposits

Taxation

At 30 September 2004, the Group had tax losses carried forward of £14.25 million, ensuring that the Group will not be obliged to pay UK corporation tax for the foreseeable future. Under Financial Reporting Standard ("FRS") No. 19 the Group partially recognised this in the Balance Sheet at 30 September 2003 through a deferred tax asset of £0.23 million to reflect the Group achieving profitability in that year. However, given the losses recorded in 2004, the Group has now deemed it prudent to cancel this asset, resulting in a £0.23 million charge to the profit and loss account. The Group will review the situation again when Cobra becomes profitable.

The Group is entitled to claim research and development tax relief, available under Schedule 20 of the Finance Act 2000, in respect of financial year 2004, the result of which is a credit of £0.06 million to the profit and loss account. The Group will retain the cash receipt from the Inland Revenue in full, unlike the previous receipts for the financial years 2000, 2001 & 2002, which the Group was obliged to pass onto its former parent company under an agreement entered into on 9 June 2002.

Treasury Policies and Financial Risk

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

Financial Review



Interest Rate, Liquidity and Foreign Currency Risk

Interest rate risk – During the financial year 2003 the Group took out a £1.1 million 11-year mortgage facility with HSBC Bank Plc to fund the acquisition of the freehold buildings at the Oxford Facility. The interest rate payable is 1.65% over the bank's base rate. The base rate risk is partially offset by the purchase in 2004 of a £0.8 million 6.0% base rate cap, expiring in June 2007 and also by the Group's continued use of variable rate short-term deposits.

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

Currency risk – The Group generated overseas turnover during the year, primarily from the US. Any currency exposure has been partially offset by overseas expenditure and the position regarding currency risk is regularly reviewed and hedging activities are initiated where appropriate.



Peter Coleman
Finance Director
11 January 2005

Board of Directors

Peter Fothergill BA FCIM (Age 59), Chairman

Peter has 36 years experience in the international healthcare industry, including Chairmanship of Fisons Plc's multinational research-based Pharmaceutical Division and Consumer Health Division, where he led a series of strategic development initiatives, including acquisitions in North America, Europe and Asia, whilst achieving significant organic growth. He was a main board director during the period when Fisons Plc was a FTSE 100 company.

Peter subsequently formed his own strategic management company that has been involved in management buy-out and buy-in arrangements, consultancies and the creation of new businesses in the private healthcare sector. He also served on the boards of ML Laboratories Plc, where he continues as an advisor on a part-time basis, and Proteus International Plc (now Protherics Plc). He is currently Chairman of I Holland Limited, the world's leading supplier of tablet moulding tools to the pharmaceutical industry and Innovata Biomed Limited, the respiratory development subsidiary of ML. He is a fellow of the Chartered Institute of Marketing and sits on various charitable and public bodies.

David Thatcher PhD (Age 57), Chief Executive

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

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

Peter Coleman FCMA MBA (Age 38), Finance Director

Peter has over ten years experience in the pharmaceutical industry. From 1994 to June 2002 he was employed by ML Laboratories Plc in a variety of senior financial and corporate development roles at ML's head office. Prior to his employment at ML, he was a director of SPD Holdings, a family owned sub-contract aerospace manufacturing company. Peter qualified as a chartered management accountant in 1996 and in 2001 was awarded an MBA with distinction jointly from the Manchester Business School and the University of Wales.

David Bloxham PhD (Age 57), Independent Non-executive Director

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

Michael Gatenby FCA (Age 60), Independent Non-executive Director

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

Professor Nigel Slater FEng (Age 51), Independent Non-executive Director

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

Senior Management

Julian Hanak BSc (Hons) MSc (Age 40), Director of Production

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

In 1992 Julian moved to Zeneca Pharmaceuticals where he was involved with the process development of several immunotherapy products and the development of virus expression systems for protein production. He joined Cobra in 1994 and took over responsibility for production in 1995. He has 16 years industrial biopharmaceutical experience.

Nick Hill BPharm MRPharmS (Age 41), Director of Quality Assurance (Oxford)

Nick is a Qualified Person ("QP") under Directive 2001/83/EC meaning that he is eligible to release clinical trial materials into the European Union. He has 17 years experience in the biopharmaceutical and pharmaceutical industry and is an industrial pharmacist.

Initially with Nicholas Laboratories he moved to Boehringer-Ingelheim in 1991 to be responsible for manufacturing. He then managed quality control and quality assurance before becoming Production and Technical Director. The facility became a centre of excellence for aseptic products producing 300 million doses per annum. After a short spell with GSK, Nick became Head of GMP Consulting for Raytheon Engineers/Washington Group advising clients on Good Manufacturing Practice and Validation. He joined Bio-Products Laboratories in 2001 as Technical Director responsible for Quality and Regulatory Affairs managing a plant producing plasma proteins. Nick joined Cobra in November 2004 as Director of Quality for the newly commissioned Oxford Facility.

Tony Mulcahy BSc (Hons) PhD (Age 39), European Director of Business Development

After gaining an honours degree in Biochemistry and Physiology at the University of Sheffield, Tony completed a PhD at the University of Newcastle-upon-Tyne, while conducting research over a period of seven years on autoimmune diseases.

He joined the research and development division of Cobra in 1994 and was involved in developing reliable, stable, high-level gene expression systems and cell-based delivery systems during seven years of research. In September 2001 Tony joined the biopharmaceutical manufacturing division of the company and has been involved in setting up the Business Development and Account Management functions within the Group.

Geoff Sharpe BSc PhD CSci CChem MRSC (Age 58), Director of Quality Assurance (Group)

Geoff is a QP under Directive 2001/83/EC and is therefore named on Cobra's Manufacturer's Authorisation (Investigational Medicinal Products) as the QP of the Group.

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

In 1991 Geoff transferred to ICI Pharmaceuticals, where he was involved with the cloning and expression of recombinant proteins and managed the corporate DNA sequencing laboratory. In 1993 he moved to Zeneca Pharmaceuticals, Pharmaceutical Department where he managed a team involved in the development and manufacture of both small molecule and biotechnology based therapeutics. In 1996 he joined Cobra as their Quality Assurance Manager.

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 2004.

Principal Activities

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

Trading Review

A review of the Group's business and activities is contained in the reports of the Chairman and the Chief Executive set out on page 2 and pages 3 to 5 respectively.

Results and Dividend

The Group loss for the period after providing for taxation was £2.40 million (2003 £1.04 million profit) and an equivalent amount has been deducted from reserves. The directors do not propose the payment of an ordinary dividend (2003 nil).

The accumulated deficit carried forward for the Group amounted to £33.16 million (2003 £30.76 million).

A financial review of results is included on pages 6 to 9.

Directors

The directors in office during the year are listed below. All served throughout the year, except where otherwise stated:

Peter Fothergill	Chairman
David Thatcher	Chief Executive
Peter Coleman	Finance Director
David Bloxham	Independent Non-executive
Michael Gatenby	Independent Non-executive (appointed 2 December 2003)
Nigel Slater	Independent Non-executive

David Thatcher and Nigel Slater retire by rotation, and, being eligible offer themselves 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 Company and its principal subsidiary undertaking agree terms and conditions for transactions with suppliers and pay suppliers within the agreed time, provided that suppliers comply with those terms and conditions. At 30 September 2004 the trade creditors for the Company represented 53 days (2003 51 days) of the amounts invoiced by suppliers.

Environmental Policy

The Group recognises the importance of good environmental practice and, whilst its activities have a relatively low environmental impact, the Group has strict environmental policies on the discharge of waste and endeavours to comply at all times with national government and local authority regulations.

Charitable and Political Contributions

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

Employee Involvement

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

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

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

Employee Share Schemes

Employee involvement in financial performance is encouraged through participation in the Company's share option schemes. At 30 September 2004, 72 employees, including directors, held options over 1,736,910 ordinary shares in the Company's share option scheme. Further information on share options is shown in note 18 on page 34.

Report of the Directors

Major Interest in Shares

At 5 January 2005, the following shareholders held interests in excess of 3% of the ordinary share capital:

	Percentage holding	Number of ordinary shares
Invesco UK	14.9%	2,900,200
Cavendish Asset Management	4.8%	940,000
Collins Stewart (CI) Limited	4.6%	906,000
New Star Select Opportunities Fund	4.6%	900,000
Fidelity Investments	4.2%	818,400
ISIS Asset Management	3.3%	649,558

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 7 April 2005 at 11.00am at the offices of Buchanan Communications Limited, 107 Cheapside, London, EC2V 6DN. The notice of the Annual General Meeting, together with notes on the resolutions, is on pages 38 and 39.

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

1. An ordinary resolution to renew the directors' authority for the purpose of Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot, or agree to allot, authorised but unissued (and unreserved share capital of the Company). The authority will relate to 7,500,000 ordinary shares of 10p each, representing 38% of the current issued ordinary share capital of the Company, and will expire at the conclusion of the next Annual General Meeting of the Company or if sooner, 2 July 2006. The directors have no present intention of exercising the authority, which will be conferred by this resolution, other than through the grant of options pursuant to the Company's share option scheme.
2. A special resolution to renew until the end of the next Annual General Meeting or, if sooner, 2 July 2006 the directors' power to allot equity securities (within the meaning of Section 94 of the Act) for cash other than pro rata to existing shareholders. This power will relate to allotments in respect of rights issues (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) and to allotments (other than in respect of rights issues) of equity securities having an aggregate nominal value not exceeding £97,500 (being 5% of the issued equity share capital of the Company). The directors consider that it is in the best interests of the shareholders that the Board

should have this limited power in order to retain flexibility.

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

Statement of Directors' Responsibilities in Respect of the Accounts

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

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

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

Going Concern

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

Auditors

Ernst & Young LLP were re-appointed auditors at the Annual General Meeting held on 26 February 2004. They have expressed their willingness to continue in office and a resolution to reappoint them as auditors and to authorise the directors to determine their remuneration will be proposed at the next Annual General Meeting.

Approved by the Board and signed on its behalf



Matthew Baker
Company Secretary
11 January 2005

Corporate Governance Statement

The Combined Code

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

The Board is also conscious of the new Combined Code published in July 2003 and effective for fully listed companies with a financial year starting on or after the 1 November 2003. Although Cobra is listed on the Alternative Investment Market and therefore does not need to comply, the Board has reviewed the corporate governance of the Company and has implemented changes it has felt appropriate, given the Company's size. For instance it has revised the terms of reference of the existing major board committees and established a new nomination committee in line with the new guidance. The Board will also continue to review the corporate governance of the Company during the next financial year.

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

Application of the Principles of the Combined Code

The Board

The Board of Directors comprises three executive directors, including the Chairman, and three independent non-executive directors. The executive directors have a clear division of duties and the full Board meets at least six times throughout the year to direct and control strategy and the operating performance of the Group. This includes the approval and monitoring of budgets, reviewing trade performance and determining risk management policies. The Group also has a schedule of matters reserved for the decision of the Board. There is an agreed procedure for directors in the furtherance of their duties to take independent professional advice if necessary, at the Company's expense.

Board Committees

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

Audit Committee

The Audit Committee comprises the 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 fees of the external auditors together with their independence and objectivity.

Remuneration Committee

The remuneration committee comprises the non-executive directors with Nigel Slater as Chairman. It recommends to the Board the policy on executive remuneration and it determines on behalf of the Board, the terms and conditions of service for each executive director. The Report on Directors' Remuneration is set out on pages 16 to 19.

Nomination Committee

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

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.

Corporate Governance Statement

Risk Management and Internal Control

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

1. A schedule of matters reserved for the Board. The Board of Directors has overall responsibility for the effective running of the Group and it has a formal schedule of matters, which are specifically reserved for decisions by the Board.
2. The Board meets at least six times a year to manage the affairs of the Group. The Group's financial and operating performance is closely monitored at each Board meeting with formal Board reports from the Chief Executive and the Finance Director covering their areas of the business.
3. The Group's senior management team, including executive and non-executive directors meet twice a year for a strategic review. The purpose of which is to formulate a long-term strategy for the Group and develop a strategic framework for the achievement of the Group's financial targets.
4. The Group's Executive Committee meets monthly to review the performance of the Group. The Executive Committee is comprised of the operational senior management, who each provide a monthly report. Each of the senior managers 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 Executive Committee.
6. The Board and the Executive Committee then monitor the actual monthly financial performance of the Group against the budget and the half-year revised forecast, with any significant variances highlighted and explained.

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

Relations with Shareholders

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

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

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

Report on Directors' Remuneration



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

Reward Philosophy

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

The Group's overall 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 in other companies for that work and how well the Group's businesses are performing; and
3. Encourage its directors to hold shares in the Company, which the Committee believes is an effective way of bringing together their interests with those of external shareholders.

The Company promotes greater ownership of its shares and offers 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 2004 is set out in the following table:

	Total 2004 £	Total 2003 £
Non-executive director		
David Bloxham	21,750	18,000
Michael Gatenby*	18,519	-
Nigel Slater	21,750	18,000
Total	62,019	36,000

Executive Directors' Remuneration

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

The Committee investigates and takes into account the remuneration paid to the directors of other companies of a similar size and comparable industry sector in the UK, to ensure that the levels of remuneration paid by the Group are appropriate. During the period the Committee commissioned an independent review on the remuneration paid to the directors to determine whether the compensation packages were competitive with executive directors with similar responsibilities in comparably sized biotechnology companies. The review cross referenced the New Bridge Street Consultants' "Biotechnology Industry Remuneration Survey 2003" with other available market data. The objective was to ensure that the Committee had valid data to determine the salaries of the executive directors.

In addition the Company subscribed to, and participated in the "Biotechnology Industry Remuneration Survey 2004" to ensure that executive directors' pay remains competitive.

The Committee met four times in the year to 30 September 2004 and the Board accepted the Committee's recommendations without amendment. The members of the Committee are David Bloxham, Michael Gatenby 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 and Chief Executive may be invited to attend meetings and the Committee consults them on proposals relating to the remuneration of executive directors and appropriate senior executives. They do not attend when the Committee discusses matters relating to their own remuneration.

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.

*Michael Gatenby was appointed as a non executive director on 2 December 2003

Report on Directors' Remuneration

Reward Policy (continued)

2. Give executives the opportunity to increase their earnings by meeting and outperforming short-term and long-term objectives that are key to the growth of the Group. In this way, the Committee links executives' rewards directly to the Group's performance and shareholders' interests;
3. Evolve compensation schemes that encourage executives to hold shares in the Company (such as a long-term incentive plan); and
4. Overall, reward executives fairly and responsibly for their contribution to the Group's short and long-term performance.

Elements of Remuneration

In deciding the executive directors' total remuneration package and individual elements of it, the Committee 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.

Annual Bonus

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

Historically, the Group's executive directors have been appraised at the end of the calendar year in terms of their personal development and the achievement of corporate goals in that calendar year. Until that process was complete it was not possible to determine whether a bonus would be paid to the executive and how much it would be. The bonus payment was therefore discretionary and accounted for on a cash paid basis.

On this basis the bonus payments relating to targets for the calendar year 2002, were included in the results for the financial year 2003. Accordingly in December 2003 a discretionary bonus was paid to the executive directors relating to the achievement of personal and corporate targets for the calendar year 2003. These bonuses were not accrued in the financial year 2003 as no obligation existed at the date the accounts were signed, and are

therefore now included in the results for the financial year 2004.

However since the commencement of the financial year 2004 the Committee has introduced a performance related bonus scheme for both directors and senior management, which establishes a set of both quantitative and qualitative objectives for each director and senior manager at the start of the financial year, which are directly linked to the financial year rather than the previous scheme which was linked to performance in the calendar year. The quantitative objectives are based on Group turnover, PBIT and cash management and the qualitative objectives are based on personal and team achievements. The Chief Executive was entitled to receive up to a maximum of 50%, the Finance Director 40% and the Chairman 30% of their basic salaries under this scheme. In addition the Committee may award an additional discretionary bonus where merited. Given that the targets set for financial year 2004 were not met, no provision has been made for bonuses in the financial year nor has there been a discretionary payment since the end of the financial year.

The Committee is also currently studying proposals which in the near term will replace the existing cash based bonus scheme linked to annual performance, to a long term incentive plan, which will reward directors with a bonus linked to share ownership, which will further align directors' pay with share price performance. The scheme will require bonus payments to be used to acquire ordinary shares in the Company, with a further matching grant by the Company on an incremental basis driven by Group performance. Performance indicators will include growth factors with more traditional factors such as Total Shareholder Return ("TSR") also considered.

Other Benefits

Benefits for the Chief Executive, David Thatcher and the Finance Director, Peter Coleman comprise a provision of a motor car, private healthcare and death and disability in service cover. The Chairman, Peter Fothergill receives a provision for private healthcare and death and disability in service cover.

Pension Arrangements

The Chief Executive, David Thatcher and the Finance Director, Peter Coleman, are members of the Group's defined contribution personal pension scheme, which is open to all employees. The Group makes a contribution of 10% of salary for David Thatcher and 7% for Peter Coleman and both are required to make a minimum contribution of 3% of their basic salary. The scheme also provides a lump sum death in service benefit. The Chairman, Peter Fothergill, receives from the Group a contribution of 15% of his basic salary to his defined contribution personal pension plan.

Report on Directors' Remuneration

Elements of Remuneration

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

	Basic salary £	*Bonus £	Benefits £	Remuneration 2004 £	Pension 2004 £	Remuneration 2003 £	Pension 2003 £
Executive directors							
David Thatcher	161,333	56,799	3,036	221,168	12,067	181,943	8,837
Peter Fothergill	100,000	46,000	1,420	147,420	15,000	104,407	15,058
Peter Coleman	91,205	26,170	2,454	119,829	5,981	87,119	4,992
Total	352,538	128,969	6,910	488,417	33,048	373,469	28,887

* The bonus paid to executive directors in December 2003 and included in the table above was a discretionary payment relating to the achievement of personal and corporate targets for the calendar year 2003. The bonus targets set for the financial year 2004 were not met, and therefore no provision has been made for bonuses in the financial year 2004, nor any payment made since the end of the financial year. (see annual bonus section on page 17 for further details)

Executive Share Options

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

	At 1 October 2003 No.	Granted in year No.	At 30 September 2004 No.	Exercise price pence	Date from which exercisable	Expiry date
Executive directors						
David Thatcher	230,000	-	230,000	100.0	14.06.05	12.06.12
	269,430	-	269,430	96.5	08.07.06	06.07.13
	-	116,364	116,364	27.5	13.07.07	11.07.14
	499,430	116,364	615,794			
Peter Fothergill	200,000	-	200,000	100.0	14.06.05	12.06.12
	207,254	-	207,254	96.5	08.07.06	06.07.13
	-	72,727	72,727	27.5	13.07.07	11.07.14
	407,254	72,727	479,981			
Peter Coleman	60,000	-	60,000	100.0	14.06.05	12.06.12
	74,352	-	74,352	96.5	08.07.06	06.07.13
	-	32,727	32,727	27.5	13.07.07	11.07.14
	134,352	32,727	167,079			

All of the share options to the directors 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 2004 was 23.5 pence (30 September 2003 105.0 pence) and the range during the year was 21.5 pence to 150.0 pence.

Report on Directors' Remuneration

Service Contracts

The Executive Directors have 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.

Directors' Interests

At 30 September 2004, the directors had the following beneficial interests in the Company's shares and options to subscribe for shares:

	2004 No.	Ordinary shares of 10p each 2003 or date of appointment No.	2004 No.	Share options 2003 or date of appointment No.
Executive directors				
David Thatcher	60,500	15,000	615,794	499,430
Peter Fothergill	60,000	15,000	479,981	407,254
Peter Coleman	15,500	3,750	167,079	134,352
Non-executive directors				
David Bloxham	17,200	7,500	-	-
Michael Gatenby	30,000	-	-	-
Nigel Slater	9,000	2,500	-	-

From the end of the financial year until 11 January 2005 there have been no changes in the above interests.



Nigel Slater
Chairman - Remuneration Committee
11 January 2005



Independent Auditors' Report to the members of Cobra Biomanufacturing Plc

We have audited the Group's financial statements for the year ended 30 September 2004, which comprise Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

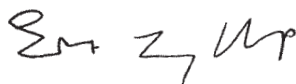
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2004 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Manchester
11 January 2005

Group Profit and Loss Account

for the Year Ended 30 September 2004

	Notes	2004 £	2004 £	2003 £	2003 £
Turnover	2		3,516,351		6,020,293
Cost of sales			(1,951,044)		(2,617,732)
Gross profit			1,565,307		3,402,561
Sales, marketing and distribution costs			(750,410)		(384,299)
Administrative expenses					
Research and development		(330,587)		(199,976)	
Other administrative expenses		(2,868,375)		(2,086,410)	
			(3,198,962)		(2,286,386)
Operating (loss)/profit on ordinary activities before interest and taxation	3		(2,384,065)		731,876
Bank interest receivable		177,260		131,528	
Interest payable	5	(64,370)		(46,523)	
			112,890		85,005
(Loss)/profit before tax			(2,271,175)		816,881
Taxation	6		(126,675)		225,000
Retained (loss)/profit for the year			(2,397,850)		1,041,881
(Loss)/earnings per share					
Basic	8		(12.3)p		6.9p
Diluted	8		(12.3)p		6.9p

Group Statement of Total Recognised Gains and Losses

for the Year Ended 30 September 2004

There are no recognised gains or losses other than the loss for the year of £2,397,850 in the year ended 30 September 2004 and the profit of £1,041,881 in the year ended 30 September 2003.

Balance Sheets

at 30 September 2004

	Notes	2004 £	Group 2003 £	2004 £	Company 2003 £
Fixed assets					
Tangible assets	9	7,168,024	4,925,058	-	-
Investments	10	-	-	600,000	600,000
		7,168,024	4,925,058	600,000	600,000
Current assets					
Stocks and work in progress	11	275,504	206,919	-	-
Debtors	12	1,591,730	2,480,378	69,797	4,562,045
Cash at bank and in hand		3,158,573	7,261,751	3,024,801	6,708,288
		5,025,807	9,949,048	3,094,598	11,270,333
Creditors: amounts falling due within one year	13	(2,203,797)	(3,151,602)	(435,049)	(295,195)
Net current assets		2,822,010	6,797,446	2,659,549	10,975,138
Total assets less current liabilities					
		9,990,034	11,722,504	3,259,549	11,575,138
Creditors: amounts falling due after more than one year	14	(1,838,877)	(1,173,497)	-	-
Net assets		8,151,157	10,549,007	3,259,549	11,575,138
Capital and reserves					
Called up share capital	18 and 19	1,950,000	1,950,000	1,950,000	1,950,000
Share premium	19	9,632,493	9,632,493	9,632,493	9,632,493
Merger reserve	19	29,728,872	29,728,872	-	-
Profit and loss account	19	(33,160,208)	(30,762,358)	(8,322,944)	(7,355)
Equity shareholders' funds		8,151,157	10,549,007	3,259,549	11,575,138

The financial statements on pages 21 to 37 were approved by the Board of Directors on 11 January 2005 and were signed on its behalf by:



David Thatcher
Chief Executive



Peter Coleman
Finance Director

Group Statement of Cash Flows

for the Year Ended 30 September 2004

	Notes	2004 £	2003 £
Net cash (outflow)/inflow from operating activities	20	(2,014,490)	444,816
Returns on investment and servicing of finance			
Interest received		177,260	131,528
Interest on bank loans		(11,441)	-
Interest element of finance lease rental payments		(52,929)	(46,523)
	5	112,890	85,005
Taxation			
R&D tax credit		323,278	496,522
Capital expenditure			
Payments to acquire tangible fixed assets		(3,179,500)	(2,356,888)
Net cash outflow before the management of liquid resources and financing		(4,757,822)	(1,330,545)
Management of liquid resources			
Decrease/(increase) in short-term deposits		3,765,226	(4,427,964)
Financing			
Issue of ordinary shares		-	5,200,000
Share issue costs		-	(515,344)
Repayment of long-term loans		(19,861)	-
New long-term loans		-	1,087,500
Repayment of capital element of finance leases		(451,661)	(71,228)
Lease finance acquired		1,126,166	276,822
		654,644	5,977,750
(Decrease)/increase in cash		(337,952)	219,241

Group Reconciliation of Net Cash Flow to Movement in Net Funds

for the Year Ended 30 September 2004

	Notes	2004 £	2003 £
(Decrease)/increase in cash		(337,952)	219,241
Cash outflow/(inflow) from loans		19,861	(1,087,500)
Repayment of capital element of finance leases		451,661	71,228
Lease finance acquired		(1,126,166)	(276,822)
Cash (outflow)/inflow from/to short-term deposits		(3,765,226)	4,427,964
Movement in net funds during the period		(4,757,822)	3,354,111
Net funds at the start of the year		5,674,934	2,320,823
Net funds at the end of the year	20	917,112	5,674,934

Notes to the Financial Statements

for the Year Ended 30 September 2004

1 ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation and presentation of financial statements

The Group accounts comprise the accounts of Cobra Biomanufacturing Plc and its subsidiary undertaking Cobra Biologics Limited up to 30 September 2004. No profit and loss account is presented for Cobra Biomanufacturing Plc as permitted by Section 230 of the Companies Act 1985.

Turnover and revenue recognition

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

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

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

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, 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 25 years
Plant and laboratory equipment	between 6.67 and 10 years
Short leasehold building improvements	6.67 years
Office equipment	4 years
Motor vehicles	3 years

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

Government Grants

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

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

Stocks

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

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

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

Research and development

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

Notes to the Financial Statements

for the Year Ended 30 September 2004

1 ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments

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

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

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

Deferred tax

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

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

Foreign currencies

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

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

All differences are taken to the profit and loss account.

Pension costs

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

Derivatives and other financial instruments

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

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

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

Interest rate swaps

The Group's criteria for interest rate swaps are:

- The instrument must be related to an asset or a liability; and
- It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

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

Notes to the Financial Statements

for the Year Ended 30 September 2004

2 TURNOVER

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

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

	2004	2003
	£	£
United Kingdom	1,992,637	2,114,096
North America	1,096,887	1,425,841
Europe	262,990	711,303
Rest of the World	163,837	1,769,053
	3,516,351	6,020,293

3 OPERATING (LOSS)/PROFIT

	2004	2003
	£	£
This is stated after charging/(crediting):		
Auditors' remuneration		
- audit services	25,250	18,000
- non audit services	20,986	15,500
Depreciation of owned assets	278,505	250,098
Depreciation of assets held under finance leases	113,441	49,739
Operating leases		
- hire of other assets	7,773	3,915
- rental of premises	171,295	153,211
Government grants	(24,540)	-

£12,625 (2003 £9,000) of audit fees and £7,816 (2003 £7,750) of non audit fees relates to the Company. The non audit fees were primarily for taxation and accountancy services.

4 STAFF COSTS

	2004	2003
	£	£
Wages and salaries	2,882,159	1,985,531
Social security costs	277,466	187,448
Other pension costs	134,374	91,401
	3,293,999	2,264,380

Notes to the Financial Statements

for the Year Ended 30 September 2004

4 STAFF COSTS (continued)

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

	2004 No.	2003 No.
Manufacturing	58	41
Selling, marketing and distribution	6	4
Research and development	3	3
Administration	21	18
	88	66

Directors' remuneration

	2004 £	2003 £
Aggregate emoluments	550,436	409,469
Company contributions to defined contributions pension scheme	33,048	28,887
	583,484	438,356

Remuneration to highest paid director

	2004 £	2003 £
Aggregate emoluments	221,168	181,943
Company contributions to defined contributions pension scheme	12,067	8,837
	233,235	190,780

5 INTEREST RECEIVABLE AND PAYABLE

	2004 £	2003 £
Interest receivable		
Bank interest receivable	177,260	131,528
Interest payable		
Interest payable on bank loans	11,441	-
Interest payable on finance leases	52,929	46,523
	64,370	46,523

Notes to the Financial Statements

for the Year Ended 30 September 2004

6 TAXATION

The Group is entitled to Research and Development tax relief under Schedule 20 of the Finance Act 2000, in respect of the year ended 30 September 2004.

Under Financial Reporting Standard ("FRS") No. 19 the Group partially recognised in the Balance Sheet at 30 September 2003 a deferred tax asset to the extent that deferred taxation was expected to be recoverable out of future profits. However given the losses recorded in 2004, the Group has now deemed it prudent to reverse the deferred tax asset in the Balance Sheet at 30 September 2004.

	2004 £	2003 £
Taxation on (loss)/profit on ordinary activities		
Current tax:		
Tax credit in relation to R&D claim	(64,910)	-
Adjustments in respect of previous periods	(33,415)	-
Total current tax	(98,325)	-
Deferred tax		
Origination and reversal of timing differences	225,000	(225,000)
Total deferred tax	225,000	(225,000)
Total tax	126,675	(225,000)

Factors affecting the tax charge for the period

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

	2004 £	2003 £
(Loss)/profit on ordinary activities before tax	(2,271,175)	816,881
(Loss)/profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2003 30%)	(681,353)	245,064
Effect of:		
Disallowed expenses and non taxable income	(30,540)	321
Depreciation in excess of capital allowances	108,483	89,951
Other timing differences	4,985	41,521
Adjustment in respect of previous periods	(33,415)	-
Tax losses	476,718	(376,251)
Difference in R&D tax rate	56,797	-
Others	-	(606)
Current tax charge for the period	(98,325)	-

Notes to the Financial Statements

for the Year Ended 30 September 2004

6 TAXATION (continued)

Factors affecting future tax charges

The trading losses carried forward available for set off against future profits arising from the same trade amount to approximately £14,250,000.

Deferred taxation

The deferred tax recognised and not recognised is as follows:

<i>Group</i>	Recognised	Not	Recognised	Not
	2004	Recognised	2003	Recognised
	£	2004	£	2003
		£		£
Accelerated capital allowances	-	(105,886)	-	19,260
Other timing differences	-	(4,985)	-	(41,521)
Tax losses	-	(4,270,000)	(225,000)	(3,700,000)
	-	(4,380,871)	(225,000)	(3,722,261)
<hr/>				
<i>Company</i>	Recognised	Not	Recognised	Not
	2004	Recognised	2003	Recognised
	£	2004	£	2003
		£		£
Accelerated capital allowances	-	-	-	-
Other timing differences	-	-	-	-
Tax losses	-	-	-	-
	-	-	-	-

7 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company for the period ended 30 September 2004 was £8,315,589 (2003 £3,033 loss).

8 (LOSS)/EARNINGS PER ORDINARY SHARE

The calculation of basic loss per ordinary share is based on losses of £2,397,850 (2003 £1,041,881 profit) and on 19,500,000 ordinary shares (2003 15,124,531) being the weighted average number of shares in issue during the year.

The loss for the period and the weighted average number of ordinary shares for calculating the diluted loss per share for the year ended 30 September 2004 are identical to those used for the basic loss per share. This is because the outstanding share options and warrants would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard ("FRS") No 14.

Notes to the Financial Statements

for the Year Ended 30 September 2004

9 TANGIBLE FIXED ASSETS

	Plant and laboratory equipment £	Motor Vehicles £	Office equipment £	Short leasehold building improvements £	Freehold buildings £	Assets under construction £	Total £
Cost							
At 1 October 2003	3,582,668	-	505,530	1,845,427	1,387,001	1,185,314	8,505,940
Additions	165,518	8,036	128,636	-	52,719	2,280,003	2,634,912
Transfers	1,598,796	-	-	-	1,866,521	(3,465,317)	-
At 30 September 2004	5,346,982	8,036	634,166	1,845,427	3,306,241	-	11,140,852
Depreciation							
At 1 October 2003	1,350,131	-	385,324	1,845,427	-	-	3,580,882
Charge for the year	293,536	887	67,187	-	30,336	-	391,946
At 30 September 2004	1,643,667	887	452,511	1,845,427	30,336	-	3,972,828
Net book value							
At 30 September 2004	3,703,315	7,149	181,655	-	3,275,905	-	7,168,024
At 30 September 2003	2,232,537	-	120,206	-	1,387,001	1,185,314	4,925,058

The net book value of tangible fixed assets includes £1,508,243 (2003 £500,903) 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 £68,312 (2003 £15,593) of capitalised interest relating to the property mortgage loan taken out to purchase freehold land and buildings.

10 INVESTMENTS

<i>Company</i>	£
At 1 October 2003 and at 30 September 2004	600,000

The investments are in the Company's wholly owned subsidiary, Cobra Biologics Limited, who's principal activity is the manufacture of DNA, virus and protein based pharmaceuticals.

11 STOCKS AND WORK IN PROGRESS

	2004 £	Group 2003 £	2004 £	Company 2003 £
Raw materials & consumables	254,792	198,155	-	-
Work in progress	20,712	8,764	-	-
	275,504	206,919	-	-

Notes to the Financial Statements

for the Year Ended 30 September 2004

12 DEBTORS

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Trade debtors	1,122,667	1,476,915	-	-
Amounts owed by group undertakings	-	-	-	4,533,185
Corporation tax	64,910	323,278	-	-
Other debtors	6,065	137,075	28,046	7,865
Prepayments	398,088	318,110	41,751	20,995
Deferred taxation	-	225,000	-	-
	1,591,730	2,480,378	69,797	4,562,045

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Current instalments on loans	78,133	36,250	-	-
Obligations under finance leases	324,451	377,070	-	-
Trade creditors	1,166,797	1,934,829	336,073	286,565
Amount payable to former parent undertaking	-	323,278	-	-
Other taxation and social security costs	109,254	62,318	38,305	-
Deferred income	227,014	124,700	-	-
Other creditors	16,616	31,287	-	-
Accruals	281,532	261,870	60,671	8,630
	2,203,797	3,151,602	435,049	295,195

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Loans	989,506	1,051,250	-	-
Obligations under finance leases	849,371	122,247	-	-
	1,838,877	1,173,497	-	-

Notes to the Financial Statements

for the Year Ended 30 September 2004

15 LOANS

	2004	Group	2004	Company
	£	2003	£	2003
		£		£
Amounts falling due:				
In one year or less or on demand	78,133	36,250	-	-
In more than one year but less than two years	83,283	108,750	-	-
In more than two years but less than five years	284,106	326,250	-	-
In more than five years	622,117	616,250	-	-
	1,067,639	1,087,500	-	-

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

16 OBLIGATIONS UNDER FINANCE LEASES

	2004	Group	2004	Company
	£	2003	£	2003
		£		£
Payable within one year	324,451	377,070	-	-
Payable between one and two years	216,476	122,247	-	-
Payable between two and five years	632,895	-	-	-
	1,173,822	499,317	-	-

17 OTHER FINANCIAL COMMITMENTS

At 30 September 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	Land & buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiring within one year	61,109	66,795	-	1,600
Expiring between one and two years	-	-	3,148	3,157
Expiring between two and five years	-	-	9,586	191
Expiring in greater than five years	185,750	77,221	510	-
	246,859	144,016	13,244	4,948

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

Notes to the Financial Statements

for the Year Ended 30 September 2004

18 CALLED UP SHARE CAPITAL

	No.	2004 £
<i>Authorised</i>		
At 1 October 2003 and at 30 September 2004	27,000,000	2,700,000
<hr/>		
	No.	£
<i>Allocated, called up and fully paid</i>		
At 1 October 2003 and at 30 September 2004	19,500,000	1,950,000

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

At 30 September 2004 the Company had 1,736,910 unissued ordinary shares (2003 1,343,138) under the unapproved share option scheme, details of which are included below:

	At 1 October 2003 No	Granted in year No	Cancelled or expired No	At 30 September 2004 No	Exercise price pence	Date from which exercisable	Expiry date
Issue 13 June 2002	691,040	-	(500)	690,540	100.0	14.06.05	12.06.12
Issue 7 July 2003	652,098	-	(44,301)	607,797	96.5	08.07.06	06.07.13
Issue 7 January 2004	-	119,649	-	119,649	147.5	08.01.07	06.01.14
Issue 12 July 2004	-	318,924	-	318,924	27.5	13.07.07	11.07.14
	1,343,138	438,573	(44,801)	1,736,910			

All of the share options were granted at the closing mid market price on the last dealing day before grant.

19 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group

	Share capital £	Share premium £	Merger reserve £	Profit & loss account £	Total £
As at 1 October 2003	1,950,000	9,632,493	29,728,872	(30,762,358)	10,549,007
Loss for the year	-	-	-	(2,397,850)	(2,397,850)
At 30 September 2004	1,950,000	9,632,493	29,728,872	(33,160,208)	8,151,157

Company

	Share Capital £	Share Premium £	Profit & loss Account £	Total £
As at 1 October 2003	1,950,000	9,632,493	(7,355)	11,575,138
Loss for the year	-	-	(8,315,589)	(8,315,589)
At 30 September 2004	1,950,000	9,632,493	(8,322,944)	3,259,549

Notes to the Financial Statements

for the Year Ended 30 September 2004

20 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2004 £	2003 £
Operating (loss)/profit	(2,384,065)	731,876
Depreciation of tangible fixed assets	391,946	299,837
(Increase)/decrease in stock	(68,585)	234,259
Decrease/(increase) in debtors	347,034	(259,854)
(Decrease) in creditors	(300,820)	(561,302)
Net cash (outflow)/inflow from operating activities	(2,014,490)	444,816

(b) Analysis of net funds

	2003 £	Cash Flow £	2004 £
Cash at bank and in hand	483,787	(337,952)	145,835
Short-term deposits*	6,777,964	(3,765,226)	3,012,738
	7,261,751	(4,103,178)	3,158,573
Bank loan	(1,087,500)	19,861	(1,067,639)
Finance leases	(499,317)	(674,505)	(1,173,822)
	5,674,934	(4,757,822)	917,112

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

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

21 FINANCIAL INSTRUMENTS

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found on page 8 and 9. It is not the Group's policy to enter into financial derivatives for speculative or trading purposes. The financial instruments employed by the Group other than short-term debtors and creditors are used to fund its operations and comprise cash, short-term deposits, long-term loans and finance leases.

The Group's policy during the year ended 30 September 2004 was to place the majority of its cash on short-term deposit with its bankers, to finance the purchase of freehold land and buildings through mortgage finance and to finance the purchase of fixed assets through sale and leaseback, where possible, for cash flow purposes.

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

Notes to the Financial Statements

for the Year Ended 30 September 2004

21 FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile of financial assets

The interest rate profile of financial assets of the Group as at 30 September 2004 is as follows:

	Financial assets on which no interest is earned £	Floating rate financial assets £	Total £
2004			
Sterling	75,643	3,012,738	3,088,381
US Dollar	70,192	-	70,192
	145,835	3,012,738	3,158,573
2003			
Sterling	348,467	6,777,964	7,126,431
US Dollar	135,320	-	135,320
	483,787	6,777,964	7,261,751

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

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 30 September 2004 is as follows:

	Fixed rate financial liabilities £	Floating rate financial liabilities £	Total £
2004			
Sterling	1,173,822	1,067,639	2,241,461
2003			
Sterling	499,317	1,087,500	1,586,817

The weighted average interest rate on fixed rate financial liabilities at 30 September 2004 was 7.0% (2003 7.1%).

The weighted average period to maturity of fixed rate financial liabilities at 30 September 2004 was 51 months (2003 17 months).

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

Notes to the Financial Statements

for the Year Ended 30 September 2004

21 FINANCIAL INSTRUMENTS (continued)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities as at 30 September 2004 was as follows:

	2004 £	2003 £
Payable within one year	402,584	413,320
Payable between one and two years	299,759	230,997
Payable between two and five years	917,001	326,250
Payable in more than five years	622,117	616,250
	2,241,461	1,586,817

Currency exposures

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

Functional currency of Group operations

	Net currency monetary assets		
	US Dollar £	Euro £	Total £
2004 Sterling	352,035	8,928	360,963
2003 Sterling	293,990	60,180	354,170

Borrowing facility

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

Fair values of small financial assets and financial liabilities

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

22 PENSION COMMITMENTS

The Group operates a defined contribution pension scheme established with Scottish Widows Plc. The assets of the scheme are held separately from those of the Group and are independently administered. The contributions payable by the Group under the scheme amounted to £120,280 (2003 £93,181). Contributions totalling £16,616 (2003 £nil) were payable at the year end.

23 RELATED PARTY TRANSACTIONS

During the year the Group sold goods in the normal course of business to ML Laboratories Plc (whose shareholding in the Company was reduced from 5% to nil% on 9 December 2003) for £334,402 (2003 £689,469), £286,622 (2003 £353,433) of which related to an agreement entered into on 6 June 2002 and revised on 28 July 2003 in which ML Laboratories Plc would continue to occupy a proportion of the property leased by the Group until 30 November 2004 in return for a licence fee in respect of rent and an agreed proportion of the shared facility costs.

The Group also purchased goods in the normal course of business from ML Laboratories Plc for £10,444 (2003 £13,673).

At the balance sheet date the amount due from ML Laboratories Plc was £44,532 (2003 £167,914) and the amount owed to them was £nil (2003 £323,278).

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Cobra Biomanufacturing Plc will be held at the offices of Buchanan Communications Limited 107 Cheapside, London, EC2V 6DN on 7 April 2005 at 11.00am.

To transact the following business:

Ordinary Business

1. To receive the accounts for the year ended 30 September 2004 and the report of the directors and the auditors thereon;
2. To re-appoint as a director, David Thatcher.
3. To re-appoint as a director, Nigel Slater.
4. To re-appoint Ernst & Young LLP as auditors of the Group and to authorise the directors to determine their remuneration.

Special Business

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

5. That the directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") (in substitution for all existing authorities under the said Section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £750,000 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, 2 July 2006) and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry.
6. That the directors of the Company be and are hereby empowered pursuant to Section 95(1) of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - a. the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that, by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
 - b. the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £97,500;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or if earlier on 2 July 2006), save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.

By order of the Board



Matthew Baker
Company Secretary
11 January 2005

Registered in England No.4442927

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

Notice of Annual General Meeting

Notes:

1. Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
2. The register of directors' interests in the Company's shares and copies of the directors' service contracts will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting from fifteen minutes before the meeting until it closes.
3. An explanation of the special business is given in the Report of the Directors on pages 12 and 13.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered in the Company's register of members on 5.00pm on 5 April 2005 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.
5. 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.



Shareholder Information

Financial Information

Interim results for the six months to 31 March in **July**.
Final results for the year to 30 September in **January**.
Quarterly trading updates **April** and **October**.

Annual General Meeting

The Annual General Meeting will be held on 7 April 2005 at 11:00 am at the offices of Buchanan Communications Limited 107 Cheapside, London, EC2V 6DN. The notice of the meeting is set out on pages 38 and 39.

Share Price Information

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

Company Web Site

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

Shareholder Enquiries

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

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

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

Investor Relations Services

The Company operates an Investor Relations Mailing List and Email Alert Service for investors and other interested parties.

Copies of announcements made during the year as well as the annual and interim reports are sent to current registered shareholders. However, if you would like to receive this information regardless of your current shareholding, you can register for either one of the above services by writing to Investor Relations, Cobra Biomanufacturing Plc, Stephenson Building, The Science Park, Keele, Staffordshire, ST5 5SP.

Alternatively, you can register to receive updates electronically via the website under www.cobrabio.com/email_alert.htm.

Data Protection Policy

We will comply with the requirements of all Data Protection legislation in force in England and Wales from time to time. In particular, you may request a copy of any personal data held by us about you upon written request. Please note that we reserve the right to charge the current statutory fee for providing such information.

We do not use or distribute the information provided by you to our Investor Relations Mailing List or Email Alert Service, for any purpose other than the provision to you of up to date company information. We do not sell databases or personal information to third parties.

You can request to be removed from the mailing lists at any time, via the contact details above.

Directors, Registered Office and Advisors

Directors

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

Company Secretary

Edward Matthew Scott Baker
Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Bankers

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

Bank of Scotland
600 Gorgie Road
Edinburgh
EH11 3XP

Registrars

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

Registered Office

Stephenson Building
The Science Park
Keele
Staffordshire ST5 5SP

Registered in England No: 4442927



Glossary of Terms

Adenovirus – one of a group of respiratory viruses that can be genetically altered to deliver therapeutic benefit, including the treatment of tumours.

Animal cell – cells derived from an animal for growth in laboratories.

Baculovirus – a genus of virus, which infects insects and can be utilised in the manufacture of protein based therapeutics.

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

Cell line – live cells as medicinal products.

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

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

Genetically engineered viruses – viruses that have been genetically modified at molecular level, which can be used to deliver therapeutic benefit by transporting specific genes or proteins into cells.

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

Herpes virus – a family of viruses containing DNA, responsible for a number of conditions, including chickenpox and oral herpes.

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

Microbial – consisting of, or utilising micro-organisms.

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

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

Reovirus – the Respiratory Enteric Orphan Virus, an RNA (ribonucleic acid) virus, whose genetic information is stored in RNA. A non-pathogenic variant of this virus could be used to kill some forms of cancer cells.

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



Cobra Biomanufacturing Plc

Registered Office
Stephenson Building
The Science Park
Keele
Staffordshire
ST5 5SP
UK

Tel: +44(0) 1782 714181
Fax: +44(0) 1782 714168
www.cobrabio.com