

Cobra Biologics Limited

Report and Financial Statements

For the Year Ended 30 September 2008

Registration Number: 2710654

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Contents**Pages**

Directors, Registered Office and Advisors	1
Report of the Directors	2-6
Independent Auditors' Report	7-8
Income Statement	9
Balance Sheet	10
Cash Flow Statement	11
Statement of Changes in Equity	11
Notes to the Financial Statements	12-32

Directors, Registered Office and Advisors

Directors

Peter Fothergill	(Non Executive Chairman)
Simon Saxby	(Chief Executive)
Peter Coleman	(Finance Director & Company Secretary)

Auditors

Deloitte LLP
City House
126-130 Hills Road
Cambridge CB2 1RY

Bankers

National Westminster Bank Plc
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Cheshire CW5 5AZ
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Registered in England No: 2710654



Report of the Directors

The Directors of Cobra Biologics Limited ('Cobra') present their report to the shareholders, together with the audited financial statements for the year ended 30 September 2008.

Principal Activities and Future Developments

Cobra Biologics Limited is a wholly owned subsidiary of Cobra Biomanufacturing Plc. In addition to Cobra Biologics Limited, Cobra Biomanufacturing EBT Limited, Cobra Oral Technology Limited and Cobra Biomanufacturing LLC are also wholly owned subsidiaries of Cobra Biomanufacturing Plc (the 'Group')

The principal activity of the Company and the Group is the provision of manufacturing services for protein, virus and DNA based pharmaceuticals.

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

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

Results and Dividend

The financial results for 2008 fell into two distinct phases for Cobra. The first half year saw a continuation of the difficult trading encountered in the previous six months with revenue of only £2.7m (H1 2007: £5.3m); However, the second half showed the beginnings of a recovery with revenues of £4.3m (H2 2007: £3.9m); and full year revenue of £7.0m (2007: £9.2m). The loss after tax was £3.4m (2007: £1.8m).

An equivalent amount has been deducted from the income statement. The Directors do not propose the payment of a dividend (2007: nil).

The accumulated deficit carried forward is £38.9m (2007: £35.5m)

Enhanced Business Review

Operations: Cobra Biologics Limited is an international provider of manufacturing services for the global biopharmaceutical industry. The Company operates two UK based manufacturing facilities, one located in Keele, Staffordshire and the other in Cowley, Oxfordshire.

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

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

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

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

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

Report of the Directors (continued)

Financial Risks

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies are constantly reviewed, taking into account changes in market conditions and the Company's activities. A formal risk management update is presented to the Directors bi-annually. It is not the Company's policy to enter into financial derivatives for speculative or trading purposes and further information on the financial risks facing the Company and how the Company manages those risks can be found in note 24 Financial Instruments on pages 28 to 32.

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

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

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

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

Commercial Risks

In addition to the financial risks, the Company's risk management framework has highlighted to the Board the following key commercial risks facing the Company:

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

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

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

Regulatory compliance: Cobra is under constant pressure, from the UK pharmaceutical regulator, the Medical and Healthcare Products Regulatory Agency (MHRA), as with all companies in the sector, through the EU Clinical Trials Directive to ensure that both of our manufacturing facilities provide services that are consistent and achieve the appropriate quality standards, termed current Good Manufacturing Practice (cGMP). Non regulatory compliance with the MHRA may result in production delays or even closure of our facilities until corrective action is in place. This risk is managed by employing and maintaining an experienced quality team of 31 employees across both facilities (2007: 30) two of which are Qualified Persons (QP).

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

Report of the Directors (continued)

Commercial Risks (continued)

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

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

Key performance indicators

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

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

	FY 2008	FY 2007
Revenue	£7.0m	£9.2m
Deferred income at 30 September	£1.1m	£0.5m
Gross margin	33%	42%
Operating cash outflow	(£1.5m)	(£0.6m)
Employee recruitment: average headcount	120	133
Revenue per average headcount	£58k	£69k
	March 2009	January 2008
Contracted forward order book	£11.0m	£9.4m

Directors

The Directors who held office during the year were as follows:

Peter Coleman
Peter Fothergill
Simon Saxby⁽⁴⁾
David Thatcher⁽⁴⁾

No other Director had any interest in the share capital of the Company during the year. The interests of the Directors in the shares of the ultimate parent undertaking, Cobra Biomanufacturing Plc, are shown in those Company's accounts.

Policy in Respect of Supplier Payments

The Company agrees terms and conditions for transactions with suppliers and pay suppliers within the agreed time, provided that suppliers comply with those terms and conditions. At 30 September 2008 the trade creditors for the Company represented 74 days (2007: 60 days) of the amounts invoiced by suppliers.

Health and Safety

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

Third Party Indemnity

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

Environmental Policy

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

The Company complies with the Environmental Agency's directive 'Treatment of Non-Hazardous Waste for Landfill', which requires the Company to whenever possible recycle non-hazardous waste at source, such as paper, cardboard,

Report of the Directors (continued)

Environmental Policy (continued)

aluminium and steel cans, plastic bottles, neon tubes and batteries. The Company also complies with the EU's 'Waste Electrical and Electronic Equipment Regulations' which requires the separate collection, treatment, recovery and environmentally sound disposal of its electrical equipment.

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

Charitable and Political Contributions

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

Employee Involvement

The Company recognises and seeks to encourage the involvement of its employees, with the aim being to recruit, motivate and retain employees.

Employees are given training where appropriate.

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

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

Pension Scheme

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

Employee Share Schemes

Employee involvement in the financial performance of the Company is encouraged through participation in the Company's share option schemes. Further information on share options is shown in note 22 on page 27.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

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

Report of the Directors (continued)

Going Concern

The Company had cash and cash equivalents of £14k as at 30 September 2008 and incurred a loss of £3.4m for the twelve months ended 30 September 2008. The Company is reliant upon support by its ultimate parent company Cobra Biomanufacturing Plc, and a letter of support has been received from Cobra Biomanufacturing Plc confirming its support for a period of not less than 12 months from the date of signing this companies financial statements.

The Company's Directors have considered the ability of Cobra Biomanufacturing Plc to support Cobra Biologics Limited through the preparation of a detailed cash flow forecast for the Group for the period ending 30 September 2010 ("the forecast") which includes a number of assumptions regarding income, expenditure, cash flows and the availability of the Group's existing overdraft facilities.

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

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

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

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

Notwithstanding, the Directors believe that they have a reasonable expectation that the Company will be able to operate within its available resources and there will be sufficient funds to enable the Company to continue as a going concern for the foreseeable future.

Auditors


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

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

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

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

By the Order of the Board



Peter Coleman
Finance Director and Company Secretary
28 April 2009

- (1) Ernst and Young's Beyond Borders Global Biotechnology Report 2008
- (2) Hi Tech Business Decisions 2008
- (3) BioCentury 07/01/2009
- (4) On 18 January 2008, David Thatcher stepped down as a Director, to be replaced by Simon Saxby.

Independent Auditors' Report to the members of Cobra Biologics Limited

We have audited the financial statements of Cobra Biologics Limited for the year ended 30 September 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 28. These financial statements have been prepared under 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the company's ability to continue as a going concern. The Company incurred a net loss of £3.4m during the year ended 30 September 2008, and at that date had cash and cash equivalents of £14k. The ability of the Company to continue as a going concern is dependent upon the continued support from the ultimate parent company Cobra Biomanufacturing Plc. The Directors have considered the ability of Cobra Biomanufacturing Plc to support the Company and consider that this is dependent upon the value of the priority leads, the timing of lead conversion and the resultant receipt of cash pertaining to those leads, as well as the continued availability of the overdraft facility on the same terms as it is currently, when that facility comes up for renewal at the end of August 2009.

Independent Auditors' Report to the members of Cobra Biologics Limited (continued)

Emphasis of matter (continued)

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

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

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

Deloitte LLP

**Deloitte LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom
30 April 2009**

Cobra Biologics Limited
Income Statement
For the year ended 30 September 2008

	Notes	2008 £000's	2007 £000's
Revenue	5	7,009	9,194
Cost of sales		(4,686)	(5,329)
Gross profit	6	2,323	3,865
Sales, marketing and distribution costs		(1,048)	(1,058)
Research and development		(532)	(606)
Administrative expenses (excluding share based payments)		(3,897)	(3,904)
Share based payments		(20)	(30)
Total administrative expenses		(3,917)	(3,934)
Reorganisation costs		-	(90)
Operating loss	7	(3,174)	(1,823)
Finance income	10	3	47
Finance costs	11	(336)	(151)
Loss before tax		(3,507)	(1,927)
Taxation	12	107	110
Loss for the year		(3,400)	(1,817)

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

Cobra Biologics Limited
Balance Sheet
As at 30 September 2008

	Notes	2008 £000's	2007 £000's
Non current assets			
Property, plant and equipment	13	8,203	8,504
Intangible assets	14	125	143
		<u>8,328</u>	<u>8,647</u>
Current assets			
Inventories	15	301	382
Trade and other receivables	16	1,838	1,412
Cash and cash equivalents	16	14	2
		<u>2,153</u>	<u>1,796</u>
Total assets		<u>10,481</u>	<u>10,443</u>
Current liabilities			
Bank loans and overdraft	17	(341)	(194)
Obligations under finance leases	18	(663)	(639)
Trade and other payables	19	(1,766)	(1,400)
Deferred income		(1,091)	(516)
		<u>(3,861)</u>	<u>(2,749)</u>
Net current liabilities		<u>(1,708)</u>	<u>(953)</u>
Non current liabilities			
Bank loans	17	(1,763)	(1,916)
Obligations under finance leases	18	(704)	(890)
Amount due to parent company	27	(12,769)	(10,104)
		<u>(15,236)</u>	<u>(12,910)</u>
Total liabilities		<u>(19,097)</u>	<u>(15,659)</u>
Net liabilities		<u>(8,616)</u>	<u>(5,216)</u>
Equity			
Share capital	21	1,389	1,389
Share premium		28,940	28,940
Profit and loss reserve		(38,945)	(35,545)
Total equity		<u>(8,616)</u>	<u>(5,216)</u>

The financial statements on pages 9 to 32 were approved by the Board of Directors on 28 April 2009 and were signed on its behalf by:



Simon Saxby
Director



Peter Coleman
Director

Cobra Biologics Limited
Cash Flow Statement
For the year ended 30 September 2008

	Notes	2008 £000's	2007 £000's
Net cash outflow from operating activities	23	(1,525)	(608)
Investing activities			
Proceeds on disposal of property, plant and equipment		54	1
Finance income		3	9
Payments to acquire property, plant and equipment		(798)	(1,070)
Payments to acquire intangible assets		-	(4)
Net cash outflow from investing activities		(741)	(1,064)
Financing activities			
New borrowings		-	2,030
Repayment of borrowings		(111)	-
Increase/(decrease) in amounts owed to parent company		2,665	(571)
Finance leases acquired		580	558
Repayment of capital elements of finance leases		(742)	(502)
Increase in overdraft		105	80
Interest on bank loans		(152)	(45)
Interest element of finance leases		(118)	(106)
Net cash inflow from financing activities		2,227	1,444
Decrease in cash and cash equivalents		(39)	(228)
Opening cash and cash equivalents		2	156
Effect of foreign exchange gains		51	74
Closing cash and cash equivalents		14	2

Cobra Biologics Limited
Statement of Changes In Equity
As at 30 September 2008

	Share capital £000's	Share premium £000's	Profit and loss reserve £000's	Total £000's
At 1 October 2006	1,389	28,940	(33,728)	(3,399)
Loss for the year	-	-	(1,817)	(1,817)
At 30 September 2007	1,389	28,940	(35,545)	(5,216)
Loss for the year	-	-	(3,400)	(3,400)
At 30 September 2008	1,389	28,940	(38,945)	(8,616)

Notes to the Financial Statements for the year ended 30 September 2008

1. General Information

Cobra Biologics Limited is a company incorporated in the UK under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in note 6 and in the Enhanced Business Review on pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Adoption of new standards

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

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

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

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

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

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

3. Significant accounting policies

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

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

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

The Company had cash and cash equivalents of £14k as at 30 September 2008 and incurred a loss of £3.4m for the twelve months ended 30 September 2008. The Company is reliant upon support by its ultimate parent company, Cobra Biomanufacturing Plc, and a letter of support has been received from Cobra Biomanufacturing Plc confirming its support for a period of not less than 12 months from the date of signing this Company's financial statements.

The Company's Directors have considered the ability of Cobra Biomanufacturing Plc to support Cobra Biologics Limited through the preparation of a detailed cash flow forecast for the Group for the period ending 30 September 2010 ("the forecast") which includes a number of assumptions regarding income, expenditure, cash flows and the availability of the Group's existing overdraft facilities.

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

Notes to the Financial Statements for the year ended 30 September 2008

3. Significant accounting policies (continued)

Going concern (continued)

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

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

The factors set out above highlight there are material uncertainties in providing an accurate forecast for the Group, notably the difficulty in accurately forecasting the timings of contract signatures and the subsequent cash receipts, and the impending renewal of the existing overdraft facilities with the bank.

This therefore may cast significant doubt about the Company's ability to continue as a going concern for the foreseeable future and as a result it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding, the Directors believe that they have a reasonable expectation that the Company will be able to operate within its available resources and there will be sufficient funds to enable the Company to continue as a going concern for the foreseeable future.

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 September 2008

3. Significant accounting policies (continued)

Taxation (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 September 2008

3. Significant accounting policies (continued)

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

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

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

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

Impairment of financial assets: Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered un-collectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 September 2008

3. Significant accounting policies (continued)

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

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

Derivative financial instruments: The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are disclosed in note 24 to the financial statements.

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

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

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

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

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

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

Going concern: in making their judgement with regard to going concern, the Directors have considered the recent trading activity of the Company in conjunction with the preparation of a detailed cash flow forecast for the Group for the twelve month period from the date of these accounts. Further details on the judgements applied in determining the basis upon which the Directors have made their judgements on going concern can be found in note 3 on pages 12 and 13.

Key sources of estimation uncertainty

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

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

Notes to the Financial Statements for the year ended 30 September 2008

5. Revenue

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

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

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

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

6. Business and geographical segments

The Company provides contract manufacturing services for the biopharmaceutical industry.

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

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

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

2008	Protein	Virus	DNA	Cell Line	Total
	£000's	£000's	£000's	£000's	£000's
Revenue by customer product type	2,383	2,392	1,653	581	7,009
Cost of sales	(1,569)	(1,350)	(1,365)	(402)	(4,686)
Gross profit	814	1,042	288	179	2,323
Sales, marketing and distribution costs					(1,048)
Research and development					(532)
Administrative expenses (excluding share based payments)					(3,897)
Share based payments					(20)
Total administrative expenses					(3,917)
Operating loss					(3,174)
Finance income					3
Finance costs					(336)
Loss before tax					(3,507)
Taxation					107
Loss for the year					(3,400)
Net liabilities					(8,616)

Notes to the Financial Statements for the Year Ended 30 September 2008

6. Business and geographical segments (continued)

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

2007	Protein £000's	Virus £000's	DNA £000's	Cell Line £000's	Total £000's
Revenue by customer product type	4,288	2,802	1,817	287	9,194
Cost of sales	(2,378)	(1,318)	(1,522)	(111)	(5,329)
Gross profit	1,910	1,484	295	176	3,865
Sales, marketing and distribution costs					(1,058)
Research and development					(606)
Administrative expenses (excluding share based payments)					(3,904)
Share based payments					(30)
Total administrative expenses					(3,934)
Reorganisation costs					(90)
Operating loss					(1,823)
Finance income					47
Finance costs					(151)
Loss before tax					(1,927)
Taxation					110
Loss for the year					(1,817)
Net liabilities					(5,216)

Notes to the Financial Statements for the Year Ended 30 September 2008

6. Business and geographical segments (continued)

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

2008	North America £000's	Europe (excl UK) £000's	UK £000's	Rest of the World £000's	Total £000's
Revenue by customer location	3,473	1,330	1,550	656	7,009
Cost of sales	(1,894)	(1,192)	(1,144)	(456)	(4,686)
Gross profit	1,579	138	406	200	2,323
Sales, marketing and distribution costs					(1,048)
Research and development					(532)
Administrative expenses (excluding share based payments)					(3,897)
Share based payments					(20)
Total administrative expenses					(3,917)
Operating loss					(3,174)
Finance income					3
Finance costs					(336)
Loss before tax					(3,507)
Taxation					107
Loss for the year					(3,400)
Net liabilities					(8,616)

Notes to the Financial Statements for the Year Ended 30 September 2008

6. Business and geographical segments (continued)

2007	North America £000's	Europe (excl UK) £000's	UK £000's	Rest of the World £000's	Total £000's
Revenue by customer location	5,985	2,834	212	163	9,194
Cost of sales	(2,645)	(2,515)	(125)	(44)	(5,329)
Gross profit	<u>3,340</u>	<u>319</u>	<u>87</u>	<u>119</u>	<u>3,865</u>
Sales, marketing and distribution costs					(1,058)
Research and development					(606)
Administrative expenses (excluding share based payments)					(3,904)
Share based payments					(30)
Total administrative expenses					(3,934)
Reorganisation costs					(90)
Operating loss					<u>(1,823)</u>
Finance income					47
Finance costs					(151)
Loss before tax					<u>(1,927)</u>
Taxation					110
Loss for the year					<u>(1,817)</u>
Net liabilities					<u>(5,216)</u>

7. Operating loss

This is stated after charging/(crediting):

	2008 £000's	2007 £000's
Net foreign exchange losses/(gains)	66	(38)
Research and development	532	606
Depreciation of property, plant and equipment	912	850
Amortisation of patents	18	17
Staff costs (see note 9)	4,826	4,894
Loss on sale of property, plant and equipment	7	-
Impairment loss recognised on trade receivables (see note 16)	81	71
Reversal of impairment losses recognised on trade receivables (see note 16)	(54)	(99)
Government grants	<u>(24)</u>	<u>(96)</u>

Notes to the Financial Statements for the Year Ended 30 September 2008

8. Auditors' remuneration

Fees payable to Company's auditors for the audit of the Company's annual accounts

	2008	2007
	£000's	£000's
Audit of Company's financial statements	17	16

Fees payable to Company's auditors for other services to the Company

Other services pursuant to legislation	5	4
Tax services	2	3
Other services	3	2

Total non audit fees	10	9
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9. Staff costs

Directors' remuneration

	2008	2007
	£000's	£000's
Aggregate emoluments	436	406
Company contributions to defined contributions pension schemes	182	40
	618	446

Remuneration to highest paid director

	2008	2007
	£000's	£000's
Aggregate emoluments	90	187
Company contributions to defined contributions pension schemes	150	17
	240	204

There are 3 directors (2007: 3) to whom retirement benefits are accruing under defined benefit contributions pension schemes.

Employees (including executive directors)

	2008	2007
	£000's	£000's
Wages and salaries	4,047	4,271
Social security costs	399	422
Other pension costs	380	201
	4,826	4,894

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

	2008	2007
	No.	No.
Manufacturing	81	92
Sales, marketing and distribution	10	11
Research and development	5	6
Administration	24	24
	120	133

Notes to the Financial Statements for the Year Ended 30 September 2008

10. Finance income

	2008 £000's	2007 £000's
Bank interest receivable	3	9
Exchange rate gains	-	38
	3	47

11. Finance costs

	2008 £000's	2007 £000's
Interest payable bank loans	152	45
Interest payable on finance leases	118	106
Exchange rate losses	66	-
	336	151

12. Taxation

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

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

Factors affecting the tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £000's	2007 £000's
Loss on ordinary activities before tax	(3,507)	(1,927)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007:30%)	(982)	(578)
Effect of		
Disallowed expenses and non taxable income	5	14
Depreciation in excess of capital allowances	239	237
Other timing differences	5	18
Adjustment in respect of previous periods	(8)	(10)
Loss relief claim	28	4
Losses carried forward	651	176
Difference in R&D rate and standard rate of tax	(45)	26
Unprovided tax credit	-	3
Current tax credit for the year	(107)	(110)

Factors affecting future tax charges

The trading losses carried forward available for set off against future profits arising from the same trade amount to approximately £17m (2007: £15m)

Notes to the Financial Statements for the Year Ended 30 September 2008

12. Taxation (continued)

Deferred taxation

The deferred tax recognised and not recognised is as follows:

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

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

13. Property, plant and equipment

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

Freehold land and buildings with a carrying value of £3.7m (2007: £3.9m) are pledged as security for the Company's borrowing facilities with Nat West (see note 17 on page 25). The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

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

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

Notes to the Financial Statements for the Year Ended 30 September 2008

14. Intangible fixed assets

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

Patent costs are amortised evenly over their useful economic lives.

15. Inventories

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

16. Other financial assets

Cash and cash equivalents

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

Trade and other receivables

	2008 £000's	2007 £000's
Trade receivables	1,236	786
Other receivables	299	274
Prepayments	303	352
	1,838	1,412

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

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

Notes to the Financial Statements for the Year Ended 30 September 2008

16. Other financial assets (continued)

Impairment losses

The ageing of total trade receivables at the reporting date was as follow:

	Gross 2008 £000's	Impairment 2008 £000's	Net 2008 £000's	Gross 2007 £000's	Impairment 2007 £000's	Net 2007 £000's
Not past due	1,037	(15)	1,022	608	(17)	591
Past due 0 to 30 days	226	(35)	191	175	-	175
Past due 31 to 60 days	26	(8)	18	18	(13)	5
Past due 61 to 90 days	24	(23)	1	18	(13)	5
Past due 91 to 120 days	4	-	4	3	-	3
More than 120 days past due	28	(28)	-	46	(39)	7
	1,345	(109)	1,236	868	(82)	786

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

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

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

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

17. Bank loans and overdraft

	2008 £000's	2007 £000's
Secured borrowings		
Bank overdraft	185	80
Loan	1,919	2,030
	2,104	2,110

	2008 £000's	2007 £000's
Bank loans and overdrafts are repayable as follows:		
Within one year	341	194
In the second year	156	156
In the third to fifth years inclusive	468	468
After five years	1,139	1,292
	2,104	2,110

Amount due for settlement within 12 months	(341)	(194)
Amount due for settlement after 12 months	1,763	1,916

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

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

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

Notes to the Financial Statements for the Year Ended 30 September 2008

18. Obligations under finance leases

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

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

All lease obligations are denominated in Sterling.

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

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

19. Other financial liabilities

Trade and other payables

	2008 £000's	2007 £000's
Trade payables	1,017	961
Taxation	149	89
Other payables	343	94
Accruals and other provisions	257	256
	1,766	1,400

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken by the Company for trade payables is 74 days (2007: 60 days). For most suppliers no interest is charged on trade payables.

20. Other financial commitments

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

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

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

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

Notes to the Financial Statements for the Year Ended 30 September 2008

21. Share capital

	No (000's).	£000's
Authorised		
At 1 October 2007 and at 30 September 2008	17,633	1,763
	No.	£
Allotted, called up and fully paid		
At 1 October 2007 and at 30 September 2008	13,890	1,389

22. Share based payments

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

Cobra Biomanufacturing Plc also operates an LTIP scheme for the Directors, details of which can be found in the Report on Directors' Remuneration of Cobra Biomanufacturing Plc's Annual Report which does not form part of these accounts. Both the LTIP and unapproved share option scheme are able to grant options within the Enterprise Management Scheme.

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

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

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

The inputs into the Black Scholes model are as follows:

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

Notes to the Financial Statements for the Year Ended 30 September 2008

23. Net cash outflow from operating activities

	2008	2007
	£000's	£000's
Operating loss	(3,174)	(1,823)
Reorganisation costs	-	90
Depreciation of property, plant & equipment	912	850
Amortisation of intangible fixed assets	18	17
Loss on sale of property, plant and equipment	7	-
Decrease in inventories	81	213
(Increase)/decrease in trade and other receivables	(561)	790
Increase/(decrease) in deferred income	575	(679)
Increase/(decrease) in trade and other payables	509	(131)
	(1,633)	(673)
Research and development tax credit	108	65
Net cash outflow from operating activities	(1,525)	(608)

24. Financial Instruments

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

- Credit risk
- Market risk
- Liquidity risk

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

Capital management risk

The Company manages its capital to ensure that the entities within the Company are able to continue as going concerns, whilst maximising shareholders' returns through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings in note 17 on page 25, cash and cash equivalents and equity attributable to equity holders as disclosed in the Statement of Changes in Equity on page 11.

Gearing ratio

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

	2008	2007
	£000's	£000's
Debt	(16,240)	(13,743)
Cash and cash equivalent	14	2
Net debt	(16,226)	(13,741)
Equity	(8,616)	(5,216)
Net debt to equity	(1.88)	(2.63)

Debt is defined as long and short term borrowings as disclosed in note 17 on page 25, equity includes all capital and reserves of the Company attributable to the equity holders of the Company, Cobra Biologics Limited.

Notes to the Financial Statements for the Year Ended 30 September 2008

24. Financial Instruments (continued)

Externally imposed capital requirements

The parent company, Cobra Biomanufacturing Plc is required by National Westminster Bank Plc to hold on deposit £275k as security for the Group's mortgage facility.

Significant accounting policies

Details of significant accounting policies and the methods adopted, including the criteria for recognition, the basis for measurement and the basis upon which the income and expenditure is recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 on pages 14 to 16 of the financial statements.

Categories of financial instruments

	2008 £000's	2007 £000's
Financial assets		
Fair value through profit and loss ('FVTPL')		
- Held for trading	3	4
Loans and receivables (including cash and cash equivalents and treasury deposits)	1,250	788
	1,253	792
Financial liabilities		
Fair value through profit and loss ('FVTPL')		
- Held for trading	99	-
Amortised cost	14,129	11,159
Financial guarantee contracts	3,471	3,639
	17,699	14,798

Market risk

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

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

Foreign currency risk management

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

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

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

Foreign currency sensitivity analysis

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

Notes to the Financial Statements for the Year Ended 30 September 2008

24. Financial Instruments (continued)

Foreign currency sensitivity analysis (continued)

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

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

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

Forward foreign exchange contracts

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

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

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

Interest rate risk management

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

Interest rate sensitivity analysis

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

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

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

Notes to the Financial Statements for the Year Ended 30 September 2008

24. Financial instruments (continued)

Interest rate swap contracts

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

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

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

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

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

Credit risk

Credit risk management

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

Disclosures relating to the credit risk associated with trade receivables are in the financial and business review on page 3 and in note 16 on pages 24 and 25.

Liquidity risk

Liquidity risk management

The Company manages liquidity risk by maintaining banking facilities, which includes a bank overdraft and mortgage with National Westminster Bank Plc and by continuously monitoring both short and long term forecasts against actual cash flows and matching maturity profiles of financial assets and liabilities. In addition to the bank overdraft, included in note 17 on page 25 is a description of bank facilities available to the Company.

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

	Less than 1 month £000's	Within 1 to 3 months £000's	Within 3 to 12 months £000's	Within 1 to 5 years £000's	Due after 5 years £000's	Total £000's
2008						
Obligations under finance leases	60	217	474	757	-	1,508
Loans	24	68	181	1,005	1,417	2,695
Other payables	14	14	220	-	-	248
Amount due to parent company	-	-	-	12,769	-	12,769
	98	299	875	14,531	1,417	17,220
2007						
Obligations under finance leases	61	184	490	1,086	-	1,821
Loans	13	66	180	1,102	1,695	3,056
Other payables	14	14	70	-	-	98
Amount due to parent company	-	-	-	10,104	-	10,104
	88	264	740	12,292	1,695	15,079

Notes to the Financial Statements for the Year Ended 30 September 2008

24. Financial instruments (continued)

Fair values of financial assets and financial liabilities

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

25. Capital commitments

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

26. Pension commitments

The company operates a defined contribution pension scheme established with Scottish Widows Plc. The assets of the scheme are held separately from those of the company and are independently administered. The contributions payable by the company under the scheme amounted to £0.4m (2007: £0.2m). Contributions totalling £44k (2007: £27k) were payable at the year end.

27. Related party transactions

During the year the Company entered into the following transactions with its parent company, Cobra Biomanufacturing Plc;

	Management fees paid		Amounts owed to parent company	
	2008 £000's	2007 £000's	2008 £000's	2007 £000's
Cobra Biomanufacturing Plc	1,906	1,552	12,769	10,104

28. Ultimate holding company

The ultimate holding company and immediate parent company is Cobra Biomanufacturing Plc, incorporated in England and Wales. The Directors consider that the controlling party is Cobra Biomanufacturing Plc. Copies of the parent's consolidated financial statements may be obtained from the Company Secretary, Cobra Biomanufacturing Plc, Stephenson Building, The Science Park, Keele, Staffordshire, ST5 5SP.