COBRA BIOLOGICS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2019

Company No. 02710654

SATURDAY
A98KT680
A13 04/07/2020 #28
COMPANIES HOUSE

COBRA BIOLOGICS LIMITED

CONTENTS

COBRA BIOLOGICS LIMITED

DIRECTORS AND ADVISORS

Directors and officers

J. Kelly Ganjei (appointed 10 Jan 2020)	Chairman
Peter Coleman	Chief Executive Officer
Lee Warren (resigned 10 Jan 2020)	Director and Company Secretary
Shari Piré (appointed 10 Jan 2020)	Director and Company Secretary

Registered office

Stephenson Building
The Science Park
Keele
Staffordshire
ST5 5SP

Auditor

RSM Audit UK LLP
14th Floor
20 Chapel Street
Liverpool
L3 9AG

COBRA BIOLOGICS LIMITED

STRATEGIC REPORT

Principal activities and future developments

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

Cobra Biologics Limited has a strong presence in the provision of mammalian protein, microbial products, virus and DNA manufacturing services. As a subsidiary of Cobra Biologics Holding AB the Company's strategy is to expand its service offering through the installation of increased capacity, utilising disposable systems, with the aim to provide a one-stop-shop for contract manufacturing services of biopharmaceuticals. The Company is currently expanding its current capabilities, to provide commercial manufacturing services for customer products in the near future.

In 2020 and beyond, the directors' focus will be to build on the recent growth which will be achieved through the capacity and capability expansion, and they remain confident about the Company's commercial prospects.

Events after the balance sheet date

On 16th January 2020 a deal was closed for the sale of Cobra Biologics Holding AB and its subsidiaries to Aptum BioServices Inc, a wholly owned subsidiary of Cognate BioServices Inc.

Principal risks and uncertainties - Financial risks

The directors have 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 Board bi-annually.

Interest rate risk: the Company is exposed to interest rate risk on funds borrowed at floating rates. The Company has been provided with unsecured working capital loans by Cobra Biologics Holding AB and Flerie Invest AB. The Company pays a fixed rate of 4.25% and 1.5% per annum above the base rate of the Royal Bank of Scotland Plc on these borrowings.

Liquidity risk: the Company manages liquidity by maintaining appropriate banking facilities and through loan facilities provided by the ultimate holding company. The directors continuously monitor cash flow forecasts, both short and long term and then measure these 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 and cash and cash equivalents. The Company utilises established UK banking entities whose credit rating and financial position is reviewed regularly and considers that the risk to cash and cash equivalents is not significant. 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. The Company's maximum exposure to credit risk related to trade receivables at 31 December 2019 was £1,177k (2018: £992k).

Foreign currency risk: the Company generated overseas revenue during the period, primarily from North America and Continental Europe. The position regarding currency risk is regularly reviewed given the significant volatility in both the US Dollar and the Euro. The Company also receives significant sums in Swedish Kroner. Foreign currency risk is managed through the use of foreign currency bank accounts and an offset overdraft facility between foreign and sterling accounts. Furthermore, overseas revenue is partially offset by overseas expenditure which mainly comprises of the salaries and costs of the US sales team and in Sweden the cost of sub-contracted services from affiliates. This is further mitigated 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 directors the following key commercial risks facing the Company:

Customer funding: the majority of the Company's customers are mid-sized biopharmaceutical companies, who are reliant upon funding from both the public and private capital markets for their product development. The Company 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.

The Company will continue to seek and win business for the good product candidates developed by well-funded organisations. The Company carries out both technical and financial due diligence on all its customers prior to contract signature.

Regulatory compliance: the Company is required by 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 our manufacturing facilities provide services that are consistent and achieve the appropriate quality standards, termed current Good Manufacturing Practice (cGMP). Failure to comply with these regulations 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 15 employees, one of which is a Qualified Person (QP).

Maintenance, validation and upgrade of facilities: the Company's facilities are maintained to both full cGMP and MHRA compliance, therefore continued capital investment is of key importance to on-going activities in these facilities and the Company made cash investments of £0.9m in property, plant and equipment in 2019 (2018: £3.1m).

Recruitment, retention and training of employees: the Company 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. The Company has a preferred list of recruitment agents to build relationships and ensure the Company offers competitive salaries. The Company also places great emphasis on open and dynamic communication with its employees, which includes a Staff Committee, regular company briefings and updates from the CEO, guidance notes and published management structures and job descriptions.

Market fluctuations and customer product failure: The biopharmaceutical market is young and rapidly growing, which from time to time, is 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. The Company attempts to mitigate this risk, by ensuring it has a wide customer base, working with 35 customers in 2019 (2018: 33), operating in all of the biopharmaceutical market segments and being very thorough in both its customer financial and product potential due diligence.

Brexit: Following the decision of the UK to leave the European Union in 2016, there has been financial uncertainty in the currency markets, which has resulted in a weakening of Sterling. Following the UK's exit from the EU on 31 January 2020, it is still not clear what leaving the European Union means at the present time and whether or not the UK will leave the current Customs Union or enter into a free trade partnership/customs arrangement with the European Union. This may have an impact on the business, depending upon the trade terms which are reached. It is currently difficult to assess the likely impact and management are closely monitoring the position.

Covid-19: The current worldwide Covid-19 pandemic will no doubt have significant financial implications on businesses across all sectors. The Company is reviewing the situation daily, to ensure that it is best placed to continue to deliver on customer contracts, whilst adhering to the latest government guidelines. Whilst a small number of customer programmes have been slowed or placed on hold, the Company's involvement in a Covid-19 vaccine project will deliver significant financial benefits over the remainder of 2020.

Business review

Operations: Cobra Biologics Limited is primarily an international provider of manufacturing services for the global biopharmaceutical industry. The Company operates from UK based manufacturing facilities in Keele. The Company is a wholly owned subsidiary of Cobra Biologics Holdings Limited.

Going concern: In determining the appropriate basis of preparation of these 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.

At 31 December 2019 the Company had cash and cash equivalents of £0.4m (2018: £0.5m). It made a loss of £1.9m (2018: £1.1m profit) for the twelve months preceding that date bringing the total deficit on profit and loss reserves to £56.2m (2018: £54.4m). Cognate BioServices Inc. has pledged financial support to the Parent Company and the Company, to allow them both to meet their liabilities as they fall due, and continue to trade on normal business terms, for a period of no less than twelve months from the date of the approval of these financial statements.

Business review (continued)

The directors have prepared a detailed cash flow forecast for the twelve months after the date of the signing of these financial statements ("the forecast") which includes a number of assumptions regarding the delivery of the £34.9m secured orders (entire Cobra Biologics Holding AB group), the signing of priority leads into secured contracts, expenditure and cost base, cash flows and loans from Cognate BioServices Inc., as well as the continued support of Cobra Biologics Holding AB. As such 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. Based on this understanding, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments which would result from the basis of preparation being inappropriate.

Markets: Advanced Therapy Medicincal Products (ATMPs), which relates to gene therapy, cell therapy and tissue engineering, represent the next wave of new biologics in modern medicine. Over the last decade, significant advancements have been made in the gene therapy field by delivering the therapeutic gene to the target cells.

By the end of 2019 there were 1,066 clinical trials underway utilising specific advanced therapy technology, with 94 of these trials in Phase III. 2019 was the second strongest year to date for financing in the sector, with $9.8bn raised in the year.[1]

The demand for Cobra Biologics Limited's plasmid DNA and viral vector services will continue to accelerate with the on-going revolution in gene and cell therapies. Both AAV based gene therapies and lentivirus based CAR-T based cell therapy are in constant demand and require 3 to 5 plasmids as a starting material used for the transfection of the therapeutic gene into the mammalian producer cell line to generate the viral vector.

Sales and marketing: North America is still the main source of revenue with 67% of the total revenue in 2019 (2018: 59%) achieved through a US based sales force which currently employed 2 business managers, covering the major biotechnology hubs of the US. In addition, the Company has 2 business managers covering both Europe (including the UK) a combined territory that generated 15% of revenue in the period (2018: 8%) and the Rest of the World providing a steady contribution of 18% (2018: 33%). 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, the Company has a dedicated research and development team, which employed on average 6 people in 2019 (2018: 5) through which the Company generates revenue from customer's research contracts and develops its own intellectual property, through innovative manufacturing processes.

Contract values: these are variable and range from £10k 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.

Key performance indicators

The Company 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.

---

*includes all subsidiaries of Cobra Biologics Holdings AB

[1] Alliance for Regenerative Medicine Annual Report 2019

COBRA BIOLOGICS LIMITED

STRATEGIC REPORT

Key performance indicators (continued)

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

	12 months to 31 December 2019	12 months to 31 December 2018
Revenue	£11.9m	£13.3m
Deferred income at period end	£4.2m	£3.6m
Gross margin	40.8%	47.4%
Operating cash outflow	(£1.1m)	(£0.6m)
Cash and cash equivalents at period end	£0.4m	£0.5m
Employee recruitment: average headcount	108	98
Revenue per average headcount	£110k	£135k
	19 June 2020	**6 June 2019**
Group contracted forward order book*	£34.9m	£20.3m

Approved by the Board on 26th June 2020 and signed by order of the Board by

Shari Piré
Company Secretary

COBRA BIOLOGICS LIMITED

DIRECTORS' REPORT

The directors of Cobra Biologics Limited present their report to the shareholder, together with the audited financial statements for the year ended 31 December 2019.

Capital structure

Cobra Biologics Limited is a private company limited by shares incorporated in England and Wales. It is a wholly owned subsidiary of Cobra Biologics Holdings Limited ("the Parent Company").

Results and dividend

The Company loss for the period after providing for taxation was £1.9m (2018: £1.1m profit) and an equivalent amount has been deducted from reserves. The directors do not propose the payment of a dividend (2018: nil).

The accumulated profit and loss reserve carried forward for the Company amounted to a deficit of £56.2m (2018: deficit £54.4m).

Directors

The directors in office throughout the period are listed below:

Peter Coleman Chief Executive Officer
Lee Warren (resigned 10 Jan 2020)

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. The directors review on an annual basis the level of compliance and are satisfied with the performance year on year.

Third party indemnity

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

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 includes 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 directors review employee retention year on year, and are satisfied with the current retention rate.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report and Directors' 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 (IFRS) adopted for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and

- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.*

In so far as the directors, individually, are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Strategic report

The disclosures in relation to financial risk management, future developments and events after the balance sheet date required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been included in the separate Strategic Report as permitted by section 414C(11) of the Companies Act 2006.

Auditor

The auditor, RSM UK Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Signed by order of the Board on its behalf by

Shari Piré
Company Secretary

Approved by the directors on 26th June 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COBRA BIOLOGICS LIMITED

Opinion
We have audited the financial statements of Cobra Biologics Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of total comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

COBRA BIOLOGICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COBRA BIOLOGICS LIMITED

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on pages 6 to 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

RSM UK Audit LLP

GRAHAM BOND FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG

30/6/2020

COBRA BIOLOGICS LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of income	Notes	2019 £000's	2018 £000's
Revenue	5	**11,861**	13,269
Cost of sales		**(7,021)**	(6,980)
Gross profit		**4,840**	6,289
Sales, marketing and distribution costs		**(1,533)**	(1,370)
Research and development		**(961)**	(690)
Administrative expenses		**(3,482)**	(2,853)
Other operating income	6	**72**	150
Operating (loss)/profit	5-9	**(1,064)**	1,526
Finance costs	10	**(930)**	(539)
(Loss)/profit before tax		**(1,994)**	987
Taxation	11	**66**	105
(Loss)/profit for the period attributable to equity shareholders of the Company		**(1,928)**	1,092
Other comprehensive income		**-**	-
Total comprehensive (expense)/income		**(1,928)**	1,092

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

COBRA BIOLOGICS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

Registered Number 02710654

	Notes	As at 31 Dec 2019 £000's	As at 31 Dec 2018 £000's
Non-current assets			
Property, plant and equipment	12	**5,148**	4,789
Right-of-use assets	17	**1,886**	-
		7,034	4,789
Current assets			
Inventories	13	**914**	673
Trade and other receivables	14	**2,155**	2,118
Cash and cash equivalents		**352**	509
		3,421	3,300
Total assets		**10,455**	8,089
Current liabilities			
Trade and other payables	16	**(2,630)**	(3,812)
Deferred income		**(4,225)**	(3,608)
Lease liability	17	**(311)**	-
		(7,166)	(7,420)
Net current liabilities		**(3,745)**	(4,120)
Non-current liabilities			
Amounts owed to group undertakings	15	**(11,794)**	(9,036)
Amount due to parent company	15	**(11,103)**	(11,090)
Amount due to related party	15	**(4,680)**	(4,576)
Lease liability	17	**(1,631)**	-
		(29,208)	(24,702)
Total liabilities		**(36,374)**	(32,122)
Net liabilities		**(25,919)**	(24,033)
Equity			
Called up share capital	18	**1,389**	1,389
Share premium		**28,940**	28,940
Retained earnings – (deficit)		**(56,248)**	(54,362)
Total deficit on shareholders' funds		**(25,919)**	(24,033)

These financial statements were approved by the directors and authorised for issue on 26th June 2020 and are signed on their behalf by:

PA Coleman

Peter Coleman
Chief Executive Officer

COBRA BIOLOGICS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000's	2018 £000's
Net cash outflow from operating activities	19	**(1,094)**	(571)
Investing activities			
Payments to acquire property, plant and equipment		**(895)**	(3,149)
Net cash outflow from investing activities		**(895)**	(3,149)
Financing activities			
Loans from immediate parent undertaking		**13**	49
Advance/(repayment) of loans from intermediate parent undertaking		**2,758**	(2,326)
Advance of loans from related party		**104**	4,576
Other interest payable		**(4)**	(4)
Interest on bank loans and overdrafts		**(4)**	(1)
Interest on loans from group companies		**(534)**	(441)
Interest on loans from related parties		**(104)**	(76)
Payment of lease liabilities		**(397)**	-
Net cash inflow from financing activities		**1,832**	1,777
Decrease in cash and cash equivalents		**(157)**	(1,943)
Opening cash and cash equivalents		**509**	2,452
Closing cash and cash equivalents		**352**	509

COBRA BIOLOGICS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Retained earnings - Deficit	Total
	£000's	£000's	£000's	£000's
At 1 January 2018	1,389	28,940	(55,454)	(25,125)
Total comprehensive income	-	-	1,092	1,092
At 31 December 2018	**1,389**	**28,940**	**(54,362)**	**(24,033)**
Balance at 1 January 2019 as previously stated	1,389	28,940	(54,362)	(24,033)
Impact of change in accounting policy	-	-	42	42
Adjusted balances at 1 January 2019	**1,389**	**28,940**	**(54,320)**	**(23,991)**
Total comprehensive expense	**-**	**-**	**(1,928)**	**(1,928)**
At 31 December 2019	**1,389**	**28,940**	**(56,248)**	**(25,919)**

DESCRIPTION OF NATURE OF RESERVES

Share capital: represents the called up Ordinary share capital in the Company. This is not a distributable reserve.

Share premium: represents the value paid for Ordinary share capital in excess of their par value. This is not a distributable reserve.

Retained earnings: represents the cumulative results of the company to the end of the current financial year. This is a distributable reserve.

1. GENERAL INFORMATION

Cobra Biologics Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The company operates from Stephenson Building, The Science Park, Keele, Staffordshire, ST5 5SP. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the EU, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Monetary amounts in these financial statements are rounded to the nearest £1,000 except where otherwise indicated.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2019 as follows: Amendments to IAS 28 Investments in Associates and Joint Ventures, IFRIC 23 Uncertainty over Income Tax Treatments, Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, IFRS 16 Leases. Details of the impact of IFRS 16 Leases has had are noted below and shown in note 17. The adoption of the other Standards and Interpretations has not had a material impact on the financial statements of the Company.

IFRS 16 Leases
The adoption of IFRS 16 resulted in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases previously classified as operating leases, under previous accounting requirements the Company did not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The directors have decided to apply the modified retrospective adoption method in IFRS 16, and therefore, only recognised leases on the balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

Instead of recognising an operating expense for its operating lease payments, the company has instead recognise interest on its lease liabilities and amortisation on its right-of-use assets for the year ended 31 December 2019. Details of the impact of the adoption of IFRS 16 are shown in note 17.

Future new or revised standards
At the date of authorisation of these financial statements, the following amendments to Standards and new Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

	Effective date:
IFRS 17 Insurance Contracts	1 January 2021
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020

The directors have considered the above standards, interpretations and amendments and concluded that they are either not relevant to the Company or that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Going concern: In determining the appropriate basis of preparation of these 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 balance sheet date.

At 31 December 2019 the Company had cash and cash equivalents of £0.4m. It made a loss of £1.9m for the twelve months preceding that date bringing the total deficit on reserves to £56.2m. Cognate BioServices Inc. has pledged financial support to the Parent Company and the Company, to allow them both to meet their liabilities as they fall due, and continue to trade on normal business terms, for a period of no less than twelve months from the date of the approval of these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued): The directors have prepared a cash flow forecast for the twelve months after the date of the signing of these financial statements ("the forecast") which includes a number of assumptions regarding the delivery of the £34.9m group secured order, the signing of priority leads into secured contracts, expenditure and cost base, cash flows and loans from Cognate BioServices Inc., as well as the continued support of Cognate BioServices Inc. As such 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 at least the 12 month period from the signing of the accounts.Based on this understanding, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments which would result from the basis of preparation being inappropriate.

Revenue: Excludes value added tax and represents amounts receivable in respect of the sale of services during the period.

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 when the contractual obligations associated with the service or proportion of the service, where the services can be reasonably identified as separate deliverables, have been met. The stage of completion is assessed through detailed monthly reviews with the experienced Project Management team.

Contract prices are arrived at through detailed costings, breaking down the contractual obligations into the individual activities associated with each obligation.

Cost of sales: Excludes value added tax and represents amounts payable in respect of delivering the services provided including external costs, personnel costs and subcontract costs provided by subsidiary undertakings. The subcontract costs are disclosed net of the recharged commercial services in sourcing the customer contracts.

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.

Foreign currencies: These financial statements are presented in the currency of the primary economic environment in which the entity operates (the "functional currency"). In preparing the financial statements, transactions in foreign currencies are recorded at the rates of exchange prevailing on the day of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

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, including holiday pay, are charged to the statement of comprehensive income on an accruals basis.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued): The cost of property, plant and equipment includes directly attributable finance costs, calculated on a day to day basis, on expenditure incurred during construction and modification. The threshold for capitalisation of fixed assets is £2,000. 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, and the costs are not depreciated until the asset is brought into use. Land and buildings are not depreciated. Depreciation is charged to administrative expenses.

Impairment: At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable useful amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment is treated as a revaluation increase.

Taxation: The tax expenditure represents the sum of the current tax payable and deferred tax. The tax currently payable is based on the taxable profit for the period. Taxable profits differ from the net profit as reported in the statement of comprehensive income because it excludes items of income and expenses that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

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

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 statement of comprehensive income, 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 from the asset's carrying value and are released to the statement of comprehensive income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Leases: The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if an, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases and leases of low value-assets: The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of less than 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial instruments: Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment charges are recognised in the statement of comprehensive income. Where an impairment loss subsequently reverses, the reversal shall not result in the carrying amount of the financial asset exceeding the amortised cost should that impairment not have been recognised in prior years.

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

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 liabilities: A financial liability is any contractual arrangement for an entity to deliver cash to the holder of the associated financial instrument. If a financial instrument contains both an equity and a liability element, then the liability element is first established with any residual value being disclosed within equity shareholders' funds. The liability element is the present value of the future payments guaranteed to be made to the holders of the financial instrument. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

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.

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 IFRS 15 'Revenue from Contracts with Customers' and in particular for each service contract whether a stage deliverable had been achieved.

Leases: in making their judgement with regards to the treatment of leases, the directors have considered the detailed criteria set out in IFRS 16 Leases.

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 twelve month period from the date of the signing of these accounts. Further details on the judgements applied in determining the basis upon which the directors have made their judgements on going concern can be found in note 3 on page 14.

Key sources of estimation uncertainty

Impairment of assets: Determining whether the non-current assets of the Company and the carrying value of trade and intercompany receivables 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, the estimated useful life of tangible and intangible assets, accruals and prepayments.

Recognition of deferred tax asset: A deferred tax asset is only recognised when it is probable that sufficient taxable profits will arise in the foreseeable future to enable the asset to reverse.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Research and development tax credits: In the assessment of the receivable from HMRC for Research and Development tax credits management have applied a degree of judgement around the nature of projects that meet the criteria for Research and Development. The value is only agreed upon approval of the Company Tax Return by HMRC.

5. REVENUE

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

	2019	2018
	£000's	£000's
The rendering of contract manufacturing services	**11,807**	13,221
Licence revenue	**54**	48
	11,861	13,269

The geographical split of revenue is as follows:

	2019	2018
	£000's	£000's
North America	**7,952**	7,823
Europe	**1,737**	1,129
Rest of World	**2,172**	4,317
	11,861	13,269

The contract balances analysis is as follows:

	31 December 2019	31 December 2018	1 January 2018
	£000's	£000's	£000's
Receivables included within Trade and other receivables	**1,177**	992	3,107
Contract assets	**68**	97	294
Contract liabilities	**(4,225)**	(3,608)	(9,121)

Contract assets relate pre-dominantly to fulfilled obligations in respect of services, which are billed in line with the billing milestones set out within the contract. At the point where the completed work is invoiced, the contract asset is de-recognised and a corresponding receivable recognised.

Contract liabilities relate to consideration received from customers in advance of work being completed.

Major customers: revenues of £4,442k, £2,544k and £1,650k arose from sales to 3 customers contributing 10% or more to the company's revenue.

6. OTHER OPERATING INCOME

	2019	2018
	£000's	£000's
Research and development expenditure credit	**72**	104
Landlord contribution to improvements	**-**	46
	72	150

7. OPERATING (LOSS)/PROFIT

This is stated after charging:	2019 £000's	2018 £000's
Research and development	961	690
Depreciation of property, plant and equipment	536	372
Amortisation of right-of-use assets	341	-
Staff costs (see note 9)	5,702	4,737
Inventories recognised as an expense	2,385	2,528
Inventories write offs	18	32
Loss on sale of property, plant and equipment	-	4
Operating lease charges (short term leases) – land and buildings	49	519
Operating lease charges (short tern leases) – other	8	22

Prior year figures for operating lease charges is the expense for operating leases before the implementation of IFRS16 in the current year.

8. AUDITOR'S REMUNERATION

	2019 £000's	2018 £000's
Fees payable to Company's auditor for the audit of annual accounts		
Audit of Company's financial statements	17	15
Fees payable to Company's auditor for other services		
Tax services	2	3
Other services pursuant to legislation	3	2
Total non-audit fees	5	5

9. STAFF COSTS

Directors' remuneration Their aggregate remuneration comprised:	2019 £000's	2018 £000's
Aggregate emoluments	245	234
Company contributions to defined contributions pension scheme	40	38
	285	272

At 31 December 2019 there were 2 directors (2018: 2) to whom retirement benefits were accruing under defined contributions pension schemes.

During the 12 months to 31 December 2019 the highest paid director received aggregate emoluments of £162k (2018: £146k) and company contributions to defined contributions pension scheme of £30k (2018: £29k).

No remuneration was made to any directors not paid by the company.

Employees (including directors) The average monthly number of people (including directors) employed:	2019 No.	2018 No.
Manufacturing	83	73
Sales, marketing and distribution	11	11
Research and development	6	5
Administration	8	9
	108	98

9. STAFF COSTS (continued)

Their aggregate remuneration comprised:	**2019 £000's**	2018 £000's
Wages and salaries	**4,750**	3,937
Social security costs	**480**	369
Other pension costs	**472**	431
	5,702	4,737

10. FINANCE COSTS

	2019 £000's	2018 £000's
Interest payable on bank loans and overdraft	**4**	1
Other interest payable	**4**	4
Interest payable to group companies	**534**	441
Interest payable to related parties	**104**	76
Interest expense on lease liabilities	**111**	-
Exchange rate loss	**173**	17
	930	539

11. TAXATION

	2019 £000's	2018 £000's
UK corporation tax on profits	**(66)**	(106)
Foreign taxation	**-**	1
	(66)	(105)

Factors affecting the tax credit for the period	**2019**	2018
The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:	**£000's**	£000's
(Loss)/profit before tax	**(1,994)**	987
Profit before tax multiplied by the standard rate of Corporate Tax in the UK of 19.00% (2018: 19.00%)	**(379)**	188
Effect of:		
Disallowed expenses and non-taxable income	**3**	2
Depreciation in excess of capital allowances	**30**	14
Income not taxable for tax purposes	**(13)**	(28)
Additional deduction for R&D expenditure	**(69)**	(84)
Tax losses utilised	**-**	(485)
R&D expenditure credits	**12**	13
Losses surrendered for tax credit	**29**	33
Deferred tax not recognised	**306**	-
Temporary differences	**-**	236
Adjustment in respect of previous periods	**15**	6
Current tax credit for the period	**(66)**	(105)

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

11. TAXATION (continued)

Factors affecting future tax charges
The trading losses carried forward available for set off against future profits arising from the same trade amount to approximately £30m (2018: £27m).

Deferred taxation

The deferred tax recognised and not recognised is as follows:

	Recognised 31 Dec 2019 £000's	**Not Recognised 31 Dec 2019 £000's**	Recognised 31 Dec 2018 £000's	Not Recognised 31 Dec 2018 £000's
Accelerated capital allowances	**-**	**(573)**	-	(509)
Other timing differences	**-**	**-**	-	-
Tax losses	**-**	**(5,079)**	-	(4,674)
	-	**(5,652)**	-	(5,183)

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

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and laboratory equipment £000's	**Motor vehicles £000's**	**Office equipment £000's**	**Assets under construction £000's**	**Total £000's**
Cost					
At 1 January 2018	6,441	-	831	249	7,521
Additions	1,320	15	269	1,545	3,149
Disposals	(91)	-	(640)	-	(731)
Transfers	249	-	-	(249)	-
At 31 December 2018	**7,919**	**15**	**460**	**1,545**	**9,939**
Additions	**64**	**-**	**9**	**822**	**895**
Disposals	**(264)**	**-**	**(10)**	**-**	**(274)**
Transfers	**666**	**-**	**-**	**(666)**	**-**
At 31 December 2019	**8,385**	**15**	**459**	**1,701**	**10,560**
Depreciation					
At 1 January 2018	4,695	-	810	-	5,505
Charge for the period	329	-	43	-	372
Depreciation on disposals	(87)	-	(640)	-	(727)
At 31 December 2018	**4,937**	**-**	**213**	**-**	**5,150**
Charge for the period	**455**	**5**	**76**	**-**	**536**
Depreciation on disposals	**(264)**	**-**	**(10)**	**-**	**(274)**
At 31 December 2019	**5,128**	**5**	**279**	**-**	**5,412**
Carrying amount					
At 31 December 2019	**3,257**	**10**	**180**	**1,701**	**5,148**
At 31 December 2018	2,982	15	247	1,545	4,789

At 31 December 2019, the company had entered into contractual commitments for the acquisition of plant and equipment amounting to £14k (2018: £43k).

13. INVENTORIES

	31 Dec 2019 £000's	31 Dec 2018 £000's
Raw materials & consumables	**914**	673
	914	673

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables	31 Dec 2019 £000's	31 Dec 2018 £000's
Trade receivables	**1,177**	992
Amounts due from group undertakings	**69**	-
Amounts due from related parties	**19**	4
Other receivables	**384**	635
Prepayments and accrued income	**506**	487
	2,155	2,118

The average credit period taken on the sales of services is 28 days (2018: 29 days). No interest is charged on the receivables that are overdue. It is the Directors opinion that there are no irrecoverable amounts from the sale of services and no provision has been made for the period (2018: £nil). The application of the expected credit loss model has had no impact on the level of impairment of receivables.

The Company's most significant customer account is for £189k of trade receivables at 31 December 2019 (2018: £286k).

Impairment losses
The ageing of total trade receivables that had not been impaired at the reporting date were as follows:

	31 Dec 2019 £000's	31 Dec 2018 £000's
Not past due	**744**	495
Past due 0 to 30 days	**319**	176
Past due 31 to 60 days	**12**	183
Past due 61 to 90 days	**3**	57
Past due 91 to 120 days	**9**	10
More than 120 days past due	**90**	71
	1,177	992
Less provisions	**-**	-
	1,177	992

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

	31 Dec 2019 £000's	31 Dec 2018 £000's
Balance at the beginning of the period	**-**	-
Impairment losses reversed	**-**	-
Impairment loss recognised	**-**	-
Balance at the end of the period	**-**	-

Included in the Company's trade receivables are debtors with a carrying amount of £433k (2018: £497k) 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 to their fair value.

15. LOANS

	31 Dec 2019 £000's	31 Dec 2018 £000's
Unsecured borrowings		
Loans due to Group undertaking, Cobra Biologics Holding AB	**11,794**	9,036
Immediate parent company loan	**11,103**	11,090
Loans due to related party, Flerie Invest AB	**4,680**	4,576
	27,577	24,702

All borrowings were held in Sterling. The working capital loans provided from Cobra Biologics Holdings AB are repayable on demand but not within 12 months of the financial year end, with interest repayable at 4.25% over the base rate of the Royal Bank of Scotland Plc. The loan provided from Flerie Invest AB accrues interest at 1.5% above the base rate of the Royal Bank of Scotland Plc.

Post year end, the loan due to Flerie Invest AB was novated to Cobra Biologics Holding AB, and subsequently settled in full as part of the deal that saw Aptum BioServices acquire 100% of the share capital of Cobra Biologics Holding AB.

16. TRADE AND OTHER PAYABLES

Trade and other payables	31 Dec 2019 £000's	31 Dec 2018 £000's
Trade payables	**1,232**	1,251
Amounts due to group undertakings	**55**	44
Other taxation and social security	**131**	102
Accruals and other provisions	**1,212**	2,415
	2,630	3,812

Trade payables, amounts due to group undertakings and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken by the Company for trade payables is 33 days (2018: 28 days). For most suppliers no interest is charged on trade payables.

Included in other provisions in 2018 was £1,915k relating to the repayment of an up-front customer payment, the programme for which was terminated during 2018. This amount was repaid in full during 2019.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

17. LEASES

The following note provides information for leases where the company is a lessee:

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 Dec 2019 £000's	31 Dec 2018 £000's
Right-of-use assets		
Buildings	**1,872**	2,209
Office equipment	**14**	18
	1,886	2,227
Lease liabilities		
Current	**311**	286
Non-current	**1,631**	1,715
	1,942	2,001

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(CONTINUED)

17. LEASES (continued)

In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the company's borrowings.

Additions to the right-of-use assets during the 2019 financial year were £nil.

The maturity analysis of lease liabilities is as follows:

	2019 £000's	2018 £000's
Lease liabilities – maturity analysis		
Less than one year	311	-
One to five years	579	-
More than five years	1,052	-
	1,942	-

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 £000's	2018 £000's
Right-of-use assets amortisation		
Buildings	(337)	-
Office equipment	(4)	-
	(341)	-

	2019 £000's	2018 £000's
Interest expense (included in finance cost)	(111)	-
Expense related to short-term leases (included in administrative expenses)	(57)	-
Retained earnings adjustment re. IFRS 16 transition (rent free period)	42	-

The total cash outflow for leases in 2019 was £458k.

18. CALLED UP SHARE CAPITAL

	No. (000's)	£000's
Authorised		
Ordinary 10 pence shares at 31 December 2018 and 31 December 2019	17,633	1,763
Allotted, called up and fully paid		
Ordinary 10 pence shares at 31 December 2018 and 31 December 2019	13,890	1,389

The ordinary shares carry no restriction on voting rights, distribution of dividends or repayment of capital.

19. NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2019 £000's	2018 £000's
(Loss)/profit before tax	**(1,994)**	987
Interest expense	**757**	522
Depreciation of property, plant and equipment	**536**	372
Amortisation of right-to-use assets	**341**	-
Loss on sales of property, plant and equipment	**-**	4
Increase in inventories	**(241)**	(394)
(Increase)/decrease in trade and other receivables	**(49)**	2,148
Increase/(decrease) in deferred income	**617**	(5,513)
(Decrease)/increase in trade and other payables	**(1,138)**	1,303
Cash (outflow)/generated from operations	**(1,171)**	(571)
R&D tax credit	**77**	-
Cash outflow from operations	**(1,094)**	(571)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, on demand bank deposits and other short term highly liquid investments. The carrying amount of these assets is approximately equal to their fair value.

The Company has provided National Westminster Bank Plc with security against its assets for the provision of a gross offset facility between the foreign currency bank accounts.

20. FINANCIAL INSTRUMENTS

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

- Credit risk
- Market risk
- Liquidity risk

The 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 Board of 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.

Capital management risk

The Company manages its capital to ensure that it is able to continue as a going concern, 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 15 on page 24, cash and cash equivalents and equity attributable to equity holders as disclosed in the Statement of Changes in Equity on page 13. The Company's directors review the capital structure and as part of this review consider the cost of capital and the costs associated with each class of capital.

Gearing ratio

The gearing ratio at the period end is as follows:	**31 Dec 2019 £000's**	31 Dec 2018 £000's
Debt	**(27,577)**	(24,702)
Cash and cash equivalents	**352**	509
Net debt	**(27,225)**	(24,193)
Equity	**(25,919)**	(24,033)
Net debt to equity	**(1.05)**	(1.01)

20. FINANCIAL INSTRUMENTS (continued)

Debt includes all long and short term borrowings, including those disclosed in note 16. Equity includes all capital and reserves of the Company attributable to the equity holders of the Company.

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 of the financial statements.

	31 Dec 2019 £000's	31 Dec 2018 £000's
Financial assets		
Loans and receivables	**1,583**	1,526
Cash and cash equivalents	**352**	509
	1,935	2,035

	31 Dec 2019 £000's	31 Dec 2018 £000's
Financial liabilities		
Measured at amortised cost	**32,018**	28,412
	32,018	28,412

Market risk

The activities of the Company expose the Company to the financial risks of changes in the foreign exchanges, primarily the US Dollar, Euro, Swedish Kroner and interest rates. The Company previously entered 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.

Foreign currency risk management

The Company generates a proportion of its order book and subsequent revenue from overseas customers in either US Dollars, Euros or Swedish Kroner, 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 manages its foreign currency exposure through the use of foreign currency bank accounts which have an offset facility with the GBP Sterling bank account. This allows the Company to hold foreign currency until appropriate exchange rates can be obtained. Additionally, the Company incurs expenditure overseas in foreign currencies which helps to mitigate the foreign exchange risk.

Foreign currency risk management

The carrying amounts of the Company's foreign currency denominated monetary assets/(liabilities) at 31 December 2019 are as follows:

	Liabilities		**Assets**	
	2019 £000's	2018 £000's	**2019 £000's**	2018 £000's
US Dollar	**(7)**	(76)	**717**	781
Euro	**(110)**	(16)	**165**	102
Swedish Kroner	**(8)**	(12)	**109**	10

20. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

The table below details the Company's sensitivity to a 10% movement in foreign currency rates against GBP Sterling which in the directors' opinion is reasonable given current market conditions. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets/(liabilities) and adjusts their translation at 31 December 2019 for a 10% strengthening in foreign currency rates. The analysis is performed on the same basis as at 31 December 2018.

	US Dollar currency impact		**Euro currency impact**		**Swedish Kroner currency impact**	
	2019	2018	**2019**	2018	**2019**	2018
	£000's	£000's	**£000's**	£000's	**£000's**	£000's
Statement of comprehensive income	**(70)**	(65)	**(7)**	(8)	**(13)**	-
Equity	**(70)**	(65)	**(7)**	(8)	**(13)**	-

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

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 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% strengthening in interest rate, which in the directors' opinion is reasonable given current market conditions.

If interest had strengthened by 0.5% and all other variables remained constant the effect on the Company's financial statements would be to decrease the profit for the period 31 December 2019 and decrease reserves by £81k (2018: £66k). This is mainly due to the Company's exposure on its variable rate borrowings.

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

Credit risk

Credit risk management

The Company's credit risk relates to trade receivables and cash and cash equivalents. The credit risk on liquid funds is limited because the Company utilises counterparts who are established entities in the United Kingdom, and regularly reviews the performance and rating of these entities. 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, which are reviewed on a regular basis.

Disclosures relating to the credit risk associated with trade receivables are in the Strategic Report on page 2 and in note 14.

20. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk management

The Company manages liquidity risk by maintaining appropriate banking facilities and through loan facilities provided by the ultimate parent company. The directors continuously monitor 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.

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:

	On demand £000's	Within 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
2019						
Amount due to group undertaking	-	-	-	**12,649**	-	**12,649**
Amount due to immediate parent company	-	-	-	**11,103**	-	**11,103**
Amount due to related party	-	-	-	**4,839**	-	**4,839**
	-	-	-	**28,591**	-	**28,591**

	On demand £000's	Within 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
2018						
Amount due to group undertaking	-	-	-	9,690	-	9,690
Amount due to immediate parent company	-	-	-	11,090	-	11,090
Amount due to related party	-	-	-	4,732	-	4,732
	-	-	-	25,512	-	25,512

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.

21. 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 £472k (2018: £431k). Contributions totalling £44k (2018: £37k) were payable at the period end.

22. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of key management personnel of the Company for the year consisted of short-term employee benefits of £275k (2018: £262k) and post-employment benefits of £40k (2018: £38k).

Other related party transactions

The Company entered into the following related party transactions during the year:

Transactions with the parent undertaking, Cobra Biologics Holdings Limited

	2019 £000's	2018 £000's
Management charge	**422**	461
Movements on intercompany account	**(409)**	(412)
Movement in period	**13**	49
Amount payable at the beginning of the year	**11,090**	11,041
Amount payable at the end of the year	**11,103**	11,090

Transactions with intermediate parent undertaking, Cobra Biologics Holding AB

	2019 £000's	2018 £000's
Recharges of expenses	**3**	1
Other recharges	**151**	-
Management fee	**(50)**	(20)
Total recharges during the period	**104**	(19)
Amount payable at the end of the year	**(50)**	(20)

Loan made during the year	**2,225**	(2,767)
Interest charges	**533**	441
Movement in period	**2,758**	(2,326)
Amount payable at the beginning of the year	**9,036**	11,362
Amount payable at the end of the year	**11,794**	9,036

The loans are repayable on demand but not within 12 months of the financial period end. Interest is payable at 4.25% over the base rate of The Royal Bank of Scotland Plc.

22. RELATED PARTY TRANSACTIONS (continued)

Transactions with a group undertaking, Cobra Biologics AB	**2019 £000's**	2018 £000's
Recharges for sales and marketing	-	68
Recharges for central administrative personnel	-	13
Recharges for research projects	-	7
Other recharges	-	41
Total recharges during the year	-	129
Amount receivable at the end of the year	-	-

	2019 £000's	2018 £000's
Subcontract activities	-	2,327
Recharges for consumables	-	304
Other recharges	-	392
Total recharges incurred during the year	-	3,023
Amount payable at the end of the year	-	24

Transactions with a group undertaking, Cobra Biopharma Matfors AB

	2019 £000's	2018 £000's
Recharges for sales and marketing	**476**	334
Recharges for central administrative personnel	**108**	172
Recharges for research projects	**52**	137
Other recharges	**240**	101
Total recharges during the year	**876**	744
Amount receivable at the end of the year	**70**	-
Subcontract activities	-	4
Recharges for consumables	**4**	-
Other recharges	**5**	-
Total recharges incurred during the year	**9**	4
Amount payable at the end of the year	**5**	-

Transactions with a company under common control, Prokarium Limited

	2019 £000's	2018 £000's
Subcontract services including consumables	**173**	367
Facility service charge	-	136
Patent assignment	**11**	10
Other recharges	**9**	10
Total recharges during the year	**193**	523
Amount receivable at the end of the year	**19**	4

22. RELATED PARTY TRANSACTIONS (continued)

Transactions with a company under common control, Flerie Invest AB

	2019 £000's	2018 £000's
Loan made during the year	-	4,503
Interest charges	104	73
Movement in period	**104**	4,576
Amount payable at the beginning of the year	**4,576**	-
Amount payable at the end of the year	**4,680**	4,576

Interest is payable at 1.5% above the base rate of The Royal Bank of Scotland Plc.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

23. PARENT UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY

At the balance sheet date the immediate parent undertaking was Cobra Biologics Holdings Limited, which was itself a wholly owned subsidiary of Cobra Biologics Holding AB, a company incorporated in Sweden. The registered office of Cobra Biologics Holding AB is Grev Turegatan 21, 114 38 Stockholm, Sweden.

Cobra Biologics Holding AB has produced consolidated financial statements, in accordance with International Financial Reporting Standards, which have been filed at Companies House, Crown Way, Cardiff CF14 3UZ.

At the balance sheet date the ultimate parent undertaking was Zentricity Holdings AB, a company incorporated in Sweden, and the ultimate controlling party was Thomas Eldered. The registered office of Zentricity Holding AB is Grev Turegatan 21, 114 38 Stockholm, Sweden.

Post year end, on 16th January 2020, 100% of the share capital of Cobra Biologics Holding AB was acquired by Aptum BioServices Inc., a wholly owned subsidiary of Cognate BioServices Inc., a company incorporated in the USA.

24. POST BALANCE SHEET EVENTS

Following the preparation of these accounts, on 11 March 2020 the World Health Organization declared the global coronavirus outbreak to be a pandemic and the United Kingdom implemented lockdown measures on 23 March 2020. The Company continues to operate and be fully functional and the valuation of the assets and liabilities held at the balance sheet date are not deemed to have changed as a result.