

COBRA BIOLOGICS LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED
25 DECEMBER 2021
Company No. 02710654



COBRA BIOLOGICS LIMITED

CONTENTS

	Pages
Directors and Advisors	1
Strategic Report	2-4
Directors' Report	5-6
Independent Auditor's Report	7-9
Statement of Total Comprehensive Income	10
Statement of Financial Position	11
Statement of Cash Flows	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14-32

COBRA BIOLOGICS LIMITED

DIRECTORS AND ADVISORS

Directors and officers

Birgit Girshick (appointed 29 March 2021)
Kevin Wasley (appointed 29 March 2021)
Jon Galli (appointed 29 March 2021)

Director
Director
Director and Company Secretary

Registered office

Stephenson Building
The Science Park
Keele
Staffordshire
ST5 5SP

Auditor

Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

COBRA BIOLOGICS LIMITED

STRATEGIC REPORT

Principal activities and future developments

The principal activity of the Company is the provision of cell and gene therapy contract development and manufacturing (CDMO) services.

Cobra Biologics Limited offer comprehensive manufacturing solutions for cell therapies, as well as for production of plasmid DNA and other inputs in the CDMO value chain. The Company is a wholly owned subsidiary of Charles River Laboratories International, Inc., and has enabled the group to establish itself as a premier scientific partner for cell and gene therapy development, testing and manufacture. The Company's strategy is to expand its service offering through the installation of increased capacity and disposable systems.

For 2022 and beyond, the directors seek to achieve business optimisation through synergies with the wider Charles River group, whilst also benefiting from access to Charles River's global customer portfolio.

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. The Company pays a fixed rate of 4.25% per annum above the base rate of the Royal Bank of Scotland Plc on these borrowings. During the year the company was provided with a loan from Charles River Laboratories Holdings Limited. The loan bears interest at a floating rate equal to the interest paid by the lender on the GBP Revolver (which is currently based on the SONIA rate for the period), plus the applicable margin based on CRL's leverage ratio for the period, plus additional spread of 0.25%, set at loan inception.

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 25 December 2021 was £1,447k (31 December 2020: £1,807k).

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 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.

COBRA BIOLOGICS LIMITED

STRATEGIC REPORT (CONTINUED)

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 37 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 £4.1m in property, plant and equipment in 2021 (2020: 4.0m).

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 43 customers in 2021 (2020: 34), operating in all of the biopharmaceutical market segments and being very thorough in both its customer financial and product potential due diligence.

Covid-19: The pandemic has interrupted the movement of people and goods throughout the world. While many jurisdictions have experienced improvements in 2021 and further improved economic outlook for 2022, many jurisdictions and industries are still being affected significantly. This includes supply chain disruptions, changes in demand for goods and services as well as the uncertainty of future government-imposed restrictions on operations. The Company continues to monitor the situation constantly, to ensure that it can adapt quickly to maintain customer contract delivery whilst meeting latest government guidelines and regulations. To date the company has not been significantly impacted by the pandemic and does not anticipate any significant adverse impact in the future.

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.

In May 2022, Charles River Laboratories International, Inc. announced that it intended to fully integrate the Cognate Bioservices companies into the Charles River group through an organisational restructure. The direct impact on Cobra Biologics Limited is that its ownership will be transferred to Charles River Discovery Research Services UK Limited, and subsequently the Company will sell its trade and assets to Charles River Discovery Research Services UK Limited. At the same time, the Company also announced its strategic plan to focus on its core capabilities and create a global plasmid centre of excellence in the United Kingdom, utilizing the knowledge, skills, and facilities of the Cobra Biologics business, as part of Charles River Discovery Research Services UK Limited. The company does not anticipate any impact to sales, purchase, or other contracts, as a result of the restructure, apart from the change in party. The sale of trade and assets is expected to conclude mid-2022, with the implementation of the new strategic plan running through to early 2023. Following the sale of the trade and assets, the Directors of Cobra Biologics Limited intend to wind up the company, and as a result have concluded that it is appropriate to prepare the financial statements on a basis other than going concern.

COBRA BIOLOGICS LIMITED

STRATEGIC REPORT (CONTINUED)

Business review (continued)

Markets: Advanced Therapy Medicinal 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.

Sales and marketing: Following the acquisition by Charles River Laboratories, Cobra Biologics continue to provide services on a global scale. The main source of revenue was from within the UK and Europe 73% (2020: 81%), followed by North America 24% (2020: 15%), and the Rest of the World which contributed 3% (2020: 4%).

Research and development: to maintain the Company's scientific competitive edge, the Company has a dedicated research and development team, through which the Company generates revenue from customer's research contracts and develops its own intellectual property, through innovative manufacturing processes.

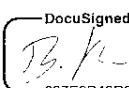
Key performance indicators

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.

The directors believe that the table below sets out the key performance indicators of the Company and its performance against them. The reduction in revenue is the result of softer market conditions and is not driven by any one significant event or contract.

	12 months to 25 December 2021	12 months to 31 December 2020
Revenue	£24.4m	£25.0m
Deferred income at period end	£4.3m	£16.3m
Gross margin	48.1%	67.6%
Operating cash (outflow)/inflow	(£8.2m)	£19.6m
Cash and cash equivalents at period end	£4.0m	£14.3m
Employee recruitment: average headcount	134	140
Revenue per average headcount	£182k	£179k

Approved by the Board on 15 August 2022 and signed by order of the Board by

DocuSigned by:

 637E0843D977418..
Birgit Girshick
 Director

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 period ended 25 December 2021. Following the acquisition by Charles River Laboratories, Inc., the period end was changed from calendar year end, as previously reported, to the last Saturday before calendar year end to align with other group companies.

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 profit for the period after providing for taxation was £0.113m (2020: £13.58m) and an equivalent amount has been added to the reserves. The directors do not propose the payment of a dividend (2020: nil).

The accumulated profit and loss reserve carried forward for the Company amounted to a deficit of £42.6m (2020: deficit £42.7m).

Directors

The directors in office throughout the year and subsequently are listed below:

J. Kelly Ganjei (appointed 10 Jan 2020, resigned 29 March 2021)
Peter Coleman (resigned 29 March 2021)
Shari Piré (appointed 10 Jan 2020, resigned 29 March 2021)
Birgit Girshick (appointed 29 March 2021)
Kevin Wasley (appointed 29 March 2021)
Jon Galli (appointed 29 March 2021)

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 practical 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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

COBRA BIOLOGICS LIMITED
DIRECTORS' REPORT (CONTINUED)

- 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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, going concern, 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, Ernst & Young 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

DocuSigned by:

637E0B43D977418.
Birgit Girshick
Director

Approved by the directors on 15 August 2022

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

Opinion

We have audited the financial statements of Cobra Biologics Limited for the year ended 25 December 2021 which comprise the Statement of total comprehensive income, Statement of financial position, statement of cash flows, statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 25 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

We draw attention to notes 3 and 15 of the financial statements which describe the expected cessation of trade followed by a transfer of trade and assets to another group company subsequent to the year end, and as a result, the financial statements have been prepared on a basis other than going concern. Our opinion is not modified in respect of this matter

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 contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

COBRA BIOLOGICS LIMITED

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

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 directors' report have been prepared in accordance with applicable legal requirements.

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 or 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 page 6-7, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including meeting quality standards and Good Manufacturing Practice (GMP) as required by the Medical and Healthcare Products Regulatory Agency (MHRA) through the EU Clinical Trials Directive as well as health and safety and GDPR requirements

COBRA BIOLOGICS LIMITED

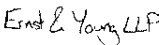
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
COBRA BIOLOGICS LIMITED**

- We understood how Cobra Biologics Limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions and how monitoring of these processes is done to avoid any instance of non-compliance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through inquiries of management and those charged with governance, along with internal team discussions based on our understanding and experience of Cobra's operations. We determined there to be a higher risk of management override associated with revenue through deferred revenue and a fraud risk around revenue recognition in respect to topside management journals being posted through deferred revenue and impacting on revenue recognised. In response to this, we reviewed individually significant contracts to ascertain that invoices were raised on customers on the basis of signed agreement, we tested a sample of these to confirm cash received on these invoices which forms the basis of deferred revenue represents real cash received by the company we then confirmed that revenue has been recognised on the basis of percentage of project completed up-to the date of recognition and an assessment of the assigned project manager for the project in line with the terms of the contract, we also used data analytics to sample from the entire population of journals posted through deferred revenue impacting on revenue and receivables, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and also agree to source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations including compliance with quality assurance requirements and to respond to the assessed risks. Our procedures included verifying that material transactions are recorded in compliance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Compliance with other operational laws and regulations was covered through our inquiry and review of certifications for quality assurance specifically with respect to the results of review and compliance with the Medical and Healthcare Products Regulatory Agency (MHRA) carried out in December 2020 with no indication of non-compliance identified.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

DocuSigned by:

D5EDCA124A65451.

*Adam Gittens (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham, UK
15 August 2022*

COBRA BIOLOGICS LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 25 DECEMBER 2021

Statement of income	Notes	2021 £000's	2020 £000's
Revenue	5	24,400	24,997
Cost of sales		(12,654)	(8,110)
Gross profit		11,746	16,887
Sales, marketing and distribution costs		(1,289)	(1,515)
Research and development		(1,765)	(1,217)
Administrative expenses		(9,578)	(4,341)
Other operating income	6	69	70
Operating (loss)/profit	7	(817)	9,884
Finance costs	10	(575)	(913)
(Loss)/profit before tax		(1,392)	8,971
Taxation	11	1,505	4,606
Profit for the period attributable to equity shareholders of the Company		113	13,577
Other comprehensive income		-	-
Total comprehensive income		113	13,577

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

COBRA BIOLOGICS LIMITED

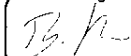
STATEMENT OF FINANCIAL POSITION
AS AT 25 DECEMBER 2021

Registered Number 02710654

	Notes	As at 25 Dec 2021 £000's	As at 31 Dec 2020 £000's
Non-current assets			
Property, plant and equipment	12	10,534	8,283
Right-of-use assets	17	1,214	1,561
Deferred tax asset	11	6,314	4,832
		<u>18,062</u>	<u>14,676</u>
Current assets			
Inventories	13	1,845	1,436
Trade and other receivables	14	3,445	4,973
Cash and cash equivalents		3,979	14,279
		<u>9,269</u>	<u>20,688</u>
Total assets		<u>27,331</u>	<u>35,364</u>
Current liabilities			
Trade and other payables	16	(4,840)	(2,810)
Deferred income		(4,270)	(16,344)
Lease liability	17	(362)	(334)
		<u>(9,472)</u>	<u>(19,488)</u>
Net current assets/(liabilities)		<u>(203)</u>	<u>1,200</u>
Non-current liabilities			
Amounts owed to group undertakings	15	(18,272)	(15,769)
Amount due to parent company	15	(10,865)	(11,136)
Lease liability	17	(951)	(1,313)
		<u>(30,088)</u>	<u>(28,218)</u>
Total liabilities		<u>(39,560)</u>	<u>(47,706)</u>
Net liabilities		<u>(12,229)</u>	<u>(12,342)</u>
Equity			
Called up share capital	18	1,389	1,389
Share premium		28,940	28,940
Retained earnings – (deficit)		(42,558)	(42,671)
Total deficit on shareholders' funds		<u>(12,229)</u>	<u>(12,342)</u>

These financial statements were approved by the directors and authorised for issue on 15 August 2022 and are signed on their behalf by:

DocuSigned by:



637E0843D927418..

Birgit Girshick
Director

COBRA BIOLOGICS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 25 DECEMBER 2021

	Notes	2021 £000's	2020 £000's
Net cash (outflow)/inflow from operating activities	19	(8,164)	19,615
Investing activities			
Proceeds on disposal of property, plant and equipment		714	198
Payments to acquire property, plant and equipment		(4,062)	(4,000)
Net cash outflow from investing activities		(3,348)	(3,802)
Financing activities			
(Repayment)/advance of loans from parent company		(271)	33
(Repayment)/advance of loans from group undertakings		2,503	3,975
(Repayment)/advance of loans from related party		-	(4,680)
Other interest payable		(82)	-
Interest on bank loans and overdrafts		(1)	(1)
Interest on loans from group companies		(601)	(800)
Interest on loans from related parties		(2)	(3)
Payment of lease liabilities		(334)	(410)
Net cash (outflow)/inflow from financing activities		1,212	(1,886)
(Decrease)increase in cash and cash equivalents		(10,300)	13,927
Opening cash and cash equivalents		14,279	352
Closing cash and cash equivalents		3,979	14,279

COBRA BIOLOGICS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 25 DECEMBER 2021

	Share capital	Share premium	Retained earnings - Deficit	Total
	£000's	£000's	£000's	£000's
At 1 January 2020	1,389	28,940	(56,248)	(25,919)
Total comprehensive income	-	-	13,577	13,577
At 31 December 2020	1,389	28,940	(42,671)	(12,342)
Profit for the year	-	-	113	113
Total comprehensive income	-	-	113	113
At 25 December 2021	1,389	28,940	(42,558)	(12,229)

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.

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 DECEMBER 2021

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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

2. BASIS OF PREPERATION

The financial statements cover the period beginning 1 January 2021 and ending 25 December 2021.

The financial statements of Cobra Biologics Limited have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis.

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 date of the approval of the financial statements.

In May 2022, Charles River Laboratories International, Inc. announced that it intended to fully integrate the Cognate Bioservices companies into the Charles River group through an organisational restructure. The direct impact on Cobra Biologics Limited is that its ownership will be transferred to Charles River Discovery Research Services UK Limited, and subsequently the Company will sell its trade and assets to Charles River Discovery Research Services UK Limited. At the same time, the Company also announced its strategic plan to focus on its core capabilities and create a global plasmid centre of excellence in the United Kingdom, utilizing the knowledge, skills, and facilities of the Cobra Biologics business, as part of Charles River Discovery Research Services UK Limited. The company does not anticipate any impact to sales, purchase, or other contracts, as a result of the restructure, apart from the change in party. The sale of trade and assets is expected to conclude mid-2022, with the implementation of the new strategic plan running through to early 2023. Following the sale of the trade and assets, the Directors of Cobra Biologics Limited intend to wind up the company, and as a result have concluded that it is appropriate to prepare the financial statements on a basis other than going concern.

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.

COBRA BIOLOGICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Leasehold Improvements	In line with the lease period
Plant and laboratory equipment	between 5 and 10 years
Office equipment	between 3 and 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 threshold for capitalisation of fixed assets is £5,000. 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 is 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.

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

COBRA BIOLOGICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reasonably 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), 'fair value through other comprehensive income' (FVTOCI) and 'amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

COBRA BIOLOGICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)**

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.

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 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 15.

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.

COBRA BIOLOGICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)**

5. REVENUE

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

	2021	2020
	£000's	£000's
The rendering of contract manufacturing services	24,353	24,937
Licence revenue	47	60
	24,400	24,997

The geographical split of revenue is as follows:

	2021	2020
	£000's	£000's
North America	5,818	3,715
UK	15,085	-
Europe	2,626	20,357
Rest of World	871	925
	24,400	24,997

The contract balances analysis is as follows:

	25 December	31 December
	2021	2020
	£000's	£000's
Receivables included within Trade and other receivables	1,447	1,807
Contract assets	538	324
Contract liabilities	(4,808)	(16,344)

Contract assets relate predominantly 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 derecognised, and a corresponding receivable recognised.

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

Major customers: revenues of £11,454k arose from sales to 1 customer contributing 10% or more to the company's revenue.

6. OTHER OPERATING INCOME

	2021	2020
	£000's	£000's
Research and development expenditure credit	69	70
	69	70

7. OPERATING PROFIT/(LOSS)

This is stated after charging:	2021	2020
	£000's	£000's
Research and development	1,765	1,217
Depreciation of property, plant and equipment	1,097	667
Amortisation of right-of-use assets	347	343
Staff costs (see note 9)	6,476	7,183
Inventories recognised as an expense	5,075	2,342
Inventories write offs	37	101
Operating lease charges (short term leases) – land and buildings	150	76
Operating lease charges (short term leases) – other	11	8

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)

8. AUDITOR'S REMUNERATION

	2021 £000's	2020 £000's
Fees payable to Company's auditor for the audit of annual accounts		
Audit of Company's financial statements	<u>48</u>	<u>45</u>
Fees payable to Company's auditor for other services		
Tax services	<u>8</u>	<u>5</u>
Total non-audit fees	<u>8</u>	<u>5</u>

9. STAFF COSTS

Directors' remuneration	2021	2020
Their aggregate remuneration comprised:	£000's	£000's
Aggregate emoluments	<u>52</u>	<u>221</u>
Company contributions to defined contributions pension scheme	<u>9</u>	<u>34</u>
	<u>61</u>	<u>255</u>

At 25 December 2021 there were no directors (2020: 1) who had retirement benefits were accruing under defined contributions pension schemes.

The above directors' remuneration is in relation to a director who retired from the position at 29 March 2021. The emoluments of the current Directors are paid by the parent Company which makes no recharge to the Company. The Directors are also Directors of the parent Company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments (2020: £nil) in respect of the Directors. Their total emoluments are included in the aggregate of Directors' emoluments disclosed in the financial statements of the parent Company.

Employees (including directors)	2021	2020
The average monthly number of people (including directors) employed:	No.	No.
Manufacturing	<u>103</u>	<u>107</u>
Sales, marketing and distribution	<u>10</u>	<u>12</u>
Research and development	<u>11</u>	<u>11</u>
Administration	<u>10</u>	<u>10</u>
	<u>134</u>	<u>140</u>

Their aggregate remuneration comprised:	2021	2020
	£000's	£000's
Wages and salaries	<u>5,338</u>	<u>6,098</u>
Social security costs	<u>590</u>	<u>554</u>
Other pension costs	<u>548</u>	<u>531</u>
	<u>6,476</u>	<u>7,183</u>

COBRA BIOLOGICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)**

10. FINANCE COSTS

	2021 £000's	2020 £000's
Interest payable on bank loans and overdraft	1	1
Interest payable on late CT payment	1	-
Interest payable to group companies	601	800
Interest payable to related parties	2	3
Interest expense on lease liabilities	82	97
Exchange rate loss or gain	(112)	12
	<u>575</u>	<u>913</u>

11. TAXATION

	2021 £000's	2020 £000's
UK corporation tax on profits – current year	13	253
Adjustments in respect of prior period	(36)	-
R&D expenditure credits – step 2 restriction	-	(27)
Total current tax	<u>(23)</u>	<u>226</u>

Recognition of previously unrecognised deferred tax asset	-	(4,832)
Current year	(7)	-
Adjustments in respect of prior periods	37	-
Effects of changes in tax rates	(1,512)	-
Total deferred tax	<u>(1,482)</u>	<u>(4,832)</u>

Factors affecting the tax credit for the period	2021	2020
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	<u>(1,392)</u>	<u>8,971</u>
(Loss)/profit before tax multiplied by the standard rate of Corporate Tax in the UK of 19.00% (2020: 19.00%)	(264)	1,704
Effect of:		
Expenses not deductible	92	34
Tax rate changes	(1,512)	-
Effects of group relief/other reliefs	178	-
Adjustment in respect of prior periods	1	-
Additional deduction for R&D expenditure	-	(27)
Tax losses utilised	-	(1,485)
Deferred tax (recognised)/not recognised	-	(4,832)
Current tax credit for the period	<u>(1,505)</u>	<u>(4,606)</u>

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 £25m (2020: £25m). The UK government has announced that the corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021.

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)

TAXATION (continued)

Deferred taxation

The deferred tax recognised and not recognised is as follows:

	Recognised 25 Dec 2021 £000's	Not Recognised 25 Dec 2021 £000's	Recognised 31 Dec 2020 £000's	Not Recognised 31 Dec 2020 £000's
Accelerated capital allowances	(282)	-	(356)	-
Other timing differences	(13)	-	(5)	-
Tax losses	(6,006)	-	(4,471)	-
RDEC – step 2 amounts c/f	(13)	-	-	-
	<u>(6,314)</u>	<u>-</u>	<u>(4,832)</u>	<u>-</u>

The deferred tax asset has been recognised in 2021 based on the expectation of sufficient future trading profits which are forecast to be generated. This was reflected in the statement of comprehensive income during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £000's	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 2020	-	8,385	15	459	1,701	10,560
Additions	-	240	-	83	3,677	4,000
Disposals	-	(728)	-	(169)	-	(897)
Transfers	-	5,048	-	-	(5,048)	-
At 31 December 2020	-	12,945	15	373	330	13,663
Additions	192	362	-	155	3,353	4,062
Disposals	-	(4,511)	-	(136)	-	(4,647)
Transfers	-	231	-	-	(231)	-
Reclass	4,606	(4,606)	-	-	-	-
At 25 December 2021	4,798	4,421	15	392	3,452	13,078
Depreciation						
At 1 January 2020	-	5,128	5	279	-	5,412
Charge for the period	-	583	5	79	-	667
Depreciation on disposals	-	(530)	-	(169)	-	(699)
At 31 December 2020	-	5,181	10	189	-	5,380
Charge for the period	460	533	5	99	-	1,097
Depreciation on disposals	-	(3,853)	-	(80)	-	(3,933)
Reclass	326	(326)	-	-	-	-
At 25 December 2021	786	1,535	15	208	-	2,544
Net Book Value						
At 25 December 2021	4,012	2,886	0	184	3,452	10,534
At 31 December 2020	-	7,764	5	184	330	8,283

At 25 December 2021, the company had entered into contractual commitments for the acquisition of plant and equipment amounting to £797k (2020: £218k).

COBRA BIOLOGICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)****13. INVENTORIES**

	25 Dec 2021 £000's	31 Dec 2020 £000's
Raw materials & consumables	1,843	1,436
Work in progress	2	-
	<u>1,845</u>	<u>1,436</u>

14. TRADE AND OTHER RECEIVABLES

	25 Dec 2021 £000's	31 Dec 2020 £000's
Trade and other receivables		
Trade receivables	1,447	1,807
Amounts due from parent company	28	-
Amounts due from group undertakings	-	416
Amounts due from related parties	-	-
Other receivables	811	149
Prepayments and accrued income	1,159	2,601
	<u>3,445</u>	<u>4,973</u>

The average credit period taken on the sales of services is 22 days (2020: 15 days). No interest is charged on the receivables that are overdue. It is the Directors opinion that there are some irrecoverable amounts from the sale of services and a provision has been made for the period of £16k (2020: £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 £492k of trade receivables at 25 December 2021 (2020: £1,142k).

Impairment losses

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

	25 Dec 2021 £000's	31 Dec 2020 £000's
Not past due	1,324	1,023
Past due 0 to 30 days	133	773
Past due 31 to 60 days	3	6
Past due 61 to 90 days	7	5
Past due 91 to 120 days	-	-
More than 120 days past due	4	-
	<u>1,471</u>	<u>1,807</u>
Less provisions	(16)	-
Exchange rate revaluation	(8)	-
	<u>1,447</u>	<u>1,807</u>

Included in the Company's trade receivables are debtors with a carrying amount of £147k (2020: £784k) 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.

COBRA BIOLOGICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)****15. LOANS**

	25 Dec 2021 £000's	31 Dec 2020 £000's
Unsecured borrowings		
Loans due to Group undertaking, Cobra Biologics Holding AB	13,771	15,769
Loans due to Immediate parent company	10,865	11,136
Loans due to Group undertaking, CRL Holdings Limited	4,501	-
	<u>29,137</u>	<u>26,905</u>

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 immediate parent company has been fully impaired in the lender's accounts.

The loan provided from Charles River Laboratories Holding Limited is repayable within a period of 5 years from the date of the first utilisation request. The loan bears interest at a floating rate equal to the interest paid by the lender on the GBP Revolver (which is currently based on the SONIA rate for the period), plus the applicable margin based on CRL's leverage ratio for the period, plus additional spread of 0.25%, set at loan inception.

16. TRADE AND OTHER PAYABLES

	25 Dec 2021 £000's	31 Dec 2020 £000's
Trade and other payables		
Trade payables	2,468	746
Amounts due to group undertakings	1,210	915
Corporation tax	-	156
Other taxation and social security	152	149
Accruals and other provisions	1,010	844
	<u>4,840</u>	<u>2,810</u>

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 71 days (2020: 16 days). For most suppliers no interest is charged on trade payables.

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

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)

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:

	25 Dec 2021 £000's	31 Dec 2020 £000's
Right-of-use assets		
Buildings	1,199	1,536
Office equipment	15	25
	<u>1,214</u>	<u>1,561</u>
Lease liabilities		
Current	362	334
Non-current	951	1,313
	<u>1,313</u>	<u>1,647</u>

The maturity analysis of lease liabilities is as follows:

	2021 £000's	2020 £000's
Lease liabilities – maturity analysis		
Less than one year	362	334
One to five years	859	1,041
More than five years	92	272
	<u>1,313</u>	<u>1,647</u>

Amounts recognised in the statement of profit or loss

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

	2021 £000's	2020 £000's
Right-of-use assets amortisation		
Buildings	(337)	(337)
Plant, machinery and motor vehicles	(10)	(6)
	<u>(347)</u>	<u>(343)</u>
	2021 £000's	2020 £000's
Interest expense (included in finance cost)	(82)	(97)
Expense related to short-term leases (included in administrative expenses)	(145)	(77)

The total cash outflow for leases in 2021 was £562k (2020: £487k).

COBRA BIOLOGICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)**

18. CALLED UP SHARE CAPITAL

	No. (000's)	£000's
Authorised		
Ordinary 10 pence shares at 31 December 2020 and 25 December 2021	<u>17,633</u>	<u>1,763</u>
Allotted, called up and fully paid		
Ordinary 10 pence shares at 31 December 2020 and 25 December 2021	<u>13,890</u>	<u>1,389</u>

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

19. NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2021 £000's	2020 £000's
(Loss)/profit before tax	(1,392)	8,971
Interest expense	686	901
Depreciation of property, plant and equipment	1,097	667
Amortisation of right-to-use assets	347	343
Increase in deferred tax asset	(1,482)	-
Increase in inventories	(409)	(522)
Decrease/(increase) in trade and other receivables	1,528	(2,818)
Decrease/(increase) in deferred income	(12,074)	12,119
Increase in trade and other payables	2,030	180
Cash (outflow)/generated from operations	(9,669)	19,841
Taxation	1,505	(226)
Cash outflow from operations	<u>(8,164)</u>	<u>19,615</u>

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.

COBRA BIOLOGICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)****FINANCIAL INSTRUMENTS (continued)****Capital management risk**

The Company manages its capital to ensure that it is able to continue trading, 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 25, cash and cash equivalents and equity attributable to equity holders as disclosed in the Statement of Changes in Equity on page 14. 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:

	25 Dec 2021 £000's	31 Dec 2020 £000's
Debt	(29,137)	(26,905)
Cash and cash equivalents	3,979	14,279
Net debt	(25,158)	(12,626)
Equity	(12,229)	(12,342)
Net debt to equity	(2.06)	(1.02)

Debt includes all long and short term borrowings, including those disclosed in note 15. 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.

	25 Dec 2021 £000's	31 Dec 2020 £000's
Financial assets		
Loans and receivables	2,286	4,076
Cash and cash equivalents	3,979	14,279
	6,265	18,355
	25 Dec 2021 £000's	31 Dec 2020 £000's
Financial liabilities		
Measured at amortised cost	35,138	31,057
	35,138	31,057

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.

COBRA BIOLOGICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)****FINANCIAL INSTRUMENTS (continued)****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.

The carrying amounts of the Company's foreign currency denominated monetary assets/(liabilities) at 25 December 2021 are as follows:

	Liabilities		Assets	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
US Dollar	<u>(185)</u>	<u>(64)</u>	<u>1,836</u>	<u>363</u>
Euro	<u>(63)</u>	<u>(64)</u>	<u>20</u>	<u>69</u>
Swedish Kroner	<u>(257)</u>	<u>-</u>	<u>111</u>	<u>115</u>

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 25 December 2021 for a 10% strengthening in foreign currency rates. The analysis is performed on the same basis as at 31 December 2020.

	US Dollar currency impact		Euro currency impact		Swedish Kroner currency impact	
	2021	2020	2021	2020	2021	2020
	£000's	£000's	£000's	£000's	£000's	£000's
Statement of comprehensive income	(150)	(25)	4	(1)	13	(10)
Equity	<u>(150)</u>	<u>(25)</u>	<u>4</u>	<u>(1)</u>	<u>13</u>	<u>(10)</u>

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 25 December 2021 and decrease reserves by £34k (2020: £7k). 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.

COBRA BIOLOGICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)****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.

Liquidity risk**Liquidity risk management**

The Company manages liquidity risk by maintaining appropriate banking facilities and through loan facilities provided by group companies. 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
2021						
Amount due to group undertaking	-	37	1,172	18,272	-	19,482
Amount due to immediate parent company	-	-	-	10,865	-	10,865
Trade payables	-	2,468	-	-	-	2,468
Lease liabilities	-	105	257	859	92	1,313
	<u>-</u>	<u>2,610</u>	<u>1,429</u>	<u>29,996</u>	<u>92</u>	<u>34,128</u>
	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
2020						
Amount due to group undertaking	-	-	-	16,649	-	16,649
Amount due to immediate parent company	-	-	-	11,136	-	11,136
Trade payables	-	746	-	-	-	746
Lease liabilities	-	104	230	1,041	272	1,647
	<u>-</u>	<u>850</u>	<u>230</u>	<u>28,826</u>	<u>272</u>	<u>30,178</u>

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.

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 DECEMBER 2021 (CONTINUED)

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 £548k (2020: £531k). Contributions totalling £49k (2020: £51k) 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 £385k (2020: £248k) and post-employment benefits of £44k (2020: £34k).

Other related party transactions

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

Transactions with the parent undertaking, Cobra Biologics Holdings Limited

	2021 £000's	2020 £000's
Management charge	8	233
Movements on intercompany account	(279)	(200)
Movement in period	(271)	33
Amount payable at the beginning of the year	11,136	11,103
Amount payable at the end of the year	10,865	11,136

Transactions with intermediate parent undertaking, Cobra Biologics Holding AB

	2021 £000's	2020 £000's
Loan made during the year	(2,599)	(1,511)
Flerie Invest AB loan novated to Cobra Biologics Holding AB	-	4,683
Interest charges	601	803
Movement in period	(1,998)	3,975
Amount payable at the beginning of the year	15,769	11,794
Amount payable at the end of the year	13,771	15,769

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.

COBRA BIOLOGICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)

RELATED PARTY TRANSACTIONS (continued)

Transactions group company, Charles River Laboratories Holdings Limited

	2021 £000's	2020 £000's
Loan made during the year	4,500	-
Interest charges	1	-
Movement in period	4,501	-
Amount payable at the beginning of the year	-	-
Amount payable at the end of the year	4,501	-

The loan provided from Charles River Laboratories Holding Limited is repayable within a period of 5 years from the date of the first utilisation request. The loan bears interest at a floating rate equal to the interest paid by the lender on the GBP Revolver (which is currently based on the SONIA rate for the period), plus the applicable margin based on CRL's leverage ratio for the period, plus additional spread of 0.25%, set at loan inception.

Transactions with ultimate parent undertaking, Charles River Laboratories International, Inc.

	2021 £000's	2020 £000's
Purchases	59	-
Insurance recharges	36	-
Salary recharges	(36)	-
Payment made during the year	(25)	-
Movement in the period	34	-
Amount payable at the beginning of the year	-	-
Amount payable at the end of the year	34	-

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

22. PARENT UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY

The immediate parent company is Cobra Biologics Holdings Limited, a company registered in the United Kingdom. The ultimate parent undertaking and controlling party at the balance sheet date is Charles River Laboratories International, Inc., a company registered in the United States of America, which is the parent undertaking of the smallest and the largest group into which the results of the Company are consolidated. Copies of the Annual Report and consolidated financial statements of Charles River Laboratories International Inc. can be obtained from the Company Secretary at Charles River Laboratories International Inc., 251 Ballardvale Street, Wilmington, MA 01887.

COBRA BIOLOGICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 DECEMBER 2021
(CONTINUED)**

23. EVENTS AFTER THE BALANCE SHEET DATE

In May 2022, Charles River Laboratories International, Inc. announced that it intended to fully integrate the Cognate Bioservices companies into the Charles River group through an organisational restructure. The direct impact on Cobra Biologics Limited is that its ownership will be transferred to Charles River Discovery Research Services UK Limited, and subsequently the Company will sell its trade and assets to Charles River Discovery Research Services UK Limited. At the same time, the Company also announced its strategic plan to focus on its core capabilities and create a global plasmid centre of excellence in the United Kingdom, utilizing the knowledge, skills, and facilities of the Cobra Biologics business, as part of Charles River Discovery Research Services UK Limited. The company does not anticipate any impact to sales, purchase, or other contracts, as a result of the restructure, apart from the change in party. The sale of trade and assets is expected to conclude mid-2022, with the implementation of the new strategic plan running through to early 2023. Following the sale of the trade and assets, the Directors of Cobra Biologics Limited intend to wind up the company, and as a result have concluded that it is appropriate to prepare the financial statements on a basis other than going concern.