

Company Number: 05548507

**COBRA HOLDINGS PLC**

**INTERIM RESULTS**

**FOR THE 6 MONTH PERIOD ENDED 30 SEPTEMBER 2010**

**COBRA Holdings PLC**

**Unaudited Interim Report for the six months ended 30 September 2010**

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**Company Information**

**Directors**

S M Burrows  
H Poulton  
D G E Stanley  
P J Robinson  
D Harris  
S M Bullock  
D M J Wainford

**Secretary and Registered Office**

H Poulton  
110 Fenchurch Street, London, EC3M 5JT

**Principal place of business**

110 Fenchurch Street  
London EC3M 5JT

**Company Number**

05548507

**Auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**Nominated Adviser and Broker**

Fairfax I.S. PLC  
46 Berkeley Square  
London W1J 5AT

**Chairman's and Chief Executive's Review of the 6 months to 30 September 2010**

We are pleased to report our results for the six month period to 30 September 2010.

**Key Points**

- Total Revenue increased by 2.1% to £11.98M
- Adjusted EBITDA increased by 2.8% to £1.77M
- Profit before tax increased by 14.0% to £390K
- Profit after tax increased by 27.1% to £230K
- Financing costs of £777K include non-cash fair value charges of £172K on deferred consideration for acquisitions, loan notes and convertible debt
- Cash at bank £939K
- COBRA Network revenues increased by 18%
- COBRA Underwriting (CUA) revenues increased by 10%
- COBRA London Markets (CLM) revenues increased by 15%

The Group produced an increase at the adjusted EBITDA level despite continuing adverse trading conditions. Adjusted EBITDA is a key measure as it reflects the underlying profitability of the Group's business before non-cash charges and the impact of the Group's financing structure. The reported increase of 2.8% has been achieved despite the fact that premium rates in the UK remained generally weak. Our on-going review of operating expenses and success in the retention of existing business has contributed to this performance.

The Group did not make any acquisitions during this period, but maintained its focus on improving operating efficiencies within those businesses absorbed in the recent past.

As well as focusing on customer service, the Group continued to cultivate relationships with our insurance panel members ensuring that we maintained our Network with resultant increased commissions and enhanced business terms. The Group's strength remains the breadth of services available, including access to Lloyd's and a number of specialist insurers.

With the financial services industry under the spotlight as never before and the Financial Services Authority insisting that the momentum for regulatory reform must be maintained, we are well placed to deal with any significant changes in regulation and supervision due to our focus in the Group on compliance and training.

Most observers agree that premium rates need to rise, and indeed some recovery has been seen in some sectors. However, the timing of rate rises is very difficult to predict. The Board believes that the Group is well placed to ride out the current market conditions and emerge strongly as trading conditions improve in the short to medium term.

**Peter Robinson**    **Chairman**  
**Steve Burrows**    **Chief Executive**

**Consolidated Statement of Comprehensive Income  
For the 6 month period ended 30 September 2010**

	Note	6 months ended 30 September 2010 <i>Unaudited</i> £'000	6 months ended 30 September 2009 <i>Unaudited</i> £'000	12 months ended 31 March 2010 <i>Audited</i> £'000
<b>Revenue</b>				
Commissions		11,977	11,714	21,264
Interest and investment income		6	18	24
Other income		-	-	1,391
		11,983	11,732	22,679
Staff costs		(6,115)	(5,991)	(11,872)
Property costs		(667)	(602)	(1,299)
Other operating costs		(3,434)	(3,420)	(6,329)
		(10,216)	(10,013)	(19,500)
Adjusted EBITDA*		1,767	1,719	3,179
Share based payment expenses		(65)	(84)	(127)
Depreciation of property, plant and equipment		(198)	(192)	(402)
Amortisation of intangible assets		(337)	(325)	(663)
		1,167	1,118	1,987
<b>Operating profit</b>		<b>1,167</b>	<b>1,118</b>	<b>1,987</b>
Finance costs		(777)	(776)	(1,595)
		390	342	392
<b>Profit before tax</b>		<b>390</b>	<b>342</b>	<b>392</b>
Income tax expense	2	(160)	(161)	(199)
		230	181	193
<b>Profit for the year and total comprehensive income</b>		<b>230</b>	<b>181</b>	<b>193</b>
<b>Earnings per share</b>				
Basic	3b	0.55p	0.43p	0.46p
Diluted	3b	0.39p	0.31p	0.33p

\* Earnings before interest, tax, depreciation and amortisation adjusted to exclude share based payment expense.

All amounts relate to continuing activities.

**Consolidated Statement of Financial Position  
As at 30 September 2010**

Company Number: 05548507

	Notes	30 September 2010 <i>Unaudited</i> £'000	30 September 2009 <i>Unaudited</i> £'000 <i>Restated</i>	31 March 2010 <i>Audited</i> £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		2,159	2,309	2,175
Investments		53	53	53
Goodwill and other intangibles		24,493	24,972	24,717
		<u>26,705</u>	<u>27,334</u>	<u>26,945</u>
<b>Current assets</b>				
Trade and other receivables		4,991	5,542	4,502
Cash and cash equivalents		7,127	11,117	8,643
		<u>12,118</u>	<u>16,659</u>	<u>13,145</u>
<b>Total assets</b>		<b><u>38,823</u></b>	<b><u>43,993</u></b>	<b><u>40,090</u></b>
<b>EQUITY AND LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings		12,434	14,949	13,468
Other liabilities		335	1,109	335
Deferred tax		1,329	1,482	1,420
		<u>14,098</u>	<u>17,540</u>	<u>15,223</u>
<b>Current liabilities</b>				
Borrowings		3,060	1,897	2,599
Current tax payable		295	834	198
Trade and other payables		8,900	12,397	9,715
Other liabilities		738	-	975
		<u>12,993</u>	<u>15,128</u>	<u>13,487</u>
<b>Total liabilities</b>		<u>27,091</u>	<u>32,668</u>	<u>28,710</u>
<b>Equity</b>				
Share capital	3a	10,544	10,524	10,524
Convertible debt		383	383	383
Share premium		4,125	4,088	4,088
Acquisition reserve	4	(3,947)	(3,947)	(3,947)
Retained earnings		627	277	332
<b>Total equity</b>		<u>11,732</u>	<u>11,325</u>	<u>11,380</u>
<b>Total equity and liabilities</b>		<b><u>38,823</u></b>	<b><u>43,993</u></b>	<b><u>40,090</u></b>

**Consolidated Statement of Changes in Equity  
For the 6 month period ended 30 September 2010**

	Share capital £'000	Convertible debt £'000	Share premium £'000	Acquisition reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2009</b>	<b>10,524</b>	<b>333</b>	<b>4,088</b>	<b>(3,947)</b>	<b>248</b>	<b>11,246</b>
Prior period adjustment *	-	-	-	-	(236)	(236)
<b>Restated balance At 1 April 2009</b>	<b>10,524</b>	<b>333</b>	<b>4,088</b>	<b>(3,947)</b>	<b>12</b>	<b>11,010</b>
<b>Changes in equity</b>						
Total comprehensive Income for the period	-	-	-	-	181	<b>181</b>
<b>Total comprehensive income</b>	-	-	-	-	181	<b>181</b>
Shares issued	-	-	-	-	-	-
Convertible debt	-	50	-	-	-	<b>50</b>
Share based payment	-	-	-	-	84	<b>84</b>
<b>At 30 September 2009</b>	<b>10,524</b>	<b>383</b>	<b>4,088</b>	<b>(3,947)</b>	<b>277</b>	<b>11,325</b>
<b>Changes in equity</b>						
Total comprehensive Income for the period	-	-	-	-	12	<b>12</b>
<b>Total comprehensive income</b>	-	-	-	-	12	<b>12</b>
Share based payment	-	-	-	-	43	<b>43</b>
<b>At 31 March 2010</b>	<b>10,524</b>	<b>383</b>	<b>4,088</b>	<b>(3,947)</b>	<b>332</b>	<b>11,380</b>
<b>Changes in equity</b>						
Total comprehensive Income for the period	-	-	-	-	230	<b>230</b>
<b>Total comprehensive income</b>	-	-	-	-	230	<b>230</b>
Shares issued	20	-	-	-	-	<b>20</b>
Convertible debt	-	50	-	-	-	<b>50</b>
Share premium	-	-	37	-	-	<b>37</b>
Share based payment	-	-	-	-	65	<b>65</b>
<b>At 30 September 2010</b>	<b>10,544</b>	<b>383</b>	<b>4,125</b>	<b>(3,947)</b>	<b>627</b>	<b>11,732</b>

\* Prior period adjustment

As part of the credit write-back process undertaken in the financial year ended 31 March 2010, exchange gain differences relating to certain of those balances were identified which had previously been incorrectly taken to the income statement in the years subsequent to the credit balances arising. Consequently, the opening balances in the Consolidated Statement of Financial Position for 30 September 2009 comparatives have been restated.

**Consolidated Statement of Cash Flow**  
For the 6 month period ended 30 September 2010

	6 months ended 30 September 2010 <i>Unaudited</i> £'000	6 months ended 30 September 2009 <i>Unaudited</i> £'000	12 months ended 31 March 2010 <i>Audited</i> £'000
<b>Cash generated from operations</b>			
Profit before taxation	392	342	392
Depreciation of property, plant & equipment	198	192	402
Amortisation of customer relationships	337	325	663
(Profit) / loss on disposal of fixed assets	(25)	8	(8)
Share based payment expense	64	84	127
Finance expense on other financial liabilities	43	59	117
Finance expense on deferred consideration	15	56	112
Finance expense on loan notes	61	57	114
Finance expense on convertible debt	52	41	85
Other finance costs	605	563	1,166
Changes in working capital net of effect of acquisitions:			
Trade and other receivables	(488)	(684)	356
Trade and other payables	(1,266)	(145)	(2,216)
	<b>(12)</b>	<b>898</b>	<b>1,310</b>
<b>Cash inflows from operating activities</b>			
Cash generated from operations	(12)	898	1,310
Income taxes paid	(162)	(268)	(585)
Finance costs	(605)	(563)	(1,166)
<b>Net cash generated from operating activities</b>	<b>(779)</b>	<b>67</b>	<b>(441)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	(28)	(33)	(132)
Proceeds from disposal of property, plant & equipment	-	18	16
Acquisition of subsidiaries, net of cash acquired	-	(83)	(46)
Deferred consideration on acquisitions	-	(949)	(1,894)
<b>Net cash outflows from investing activities</b>	<b>(28)</b>	<b>(1,047)</b>	<b>(2,056)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings	-	1,000	1,000
(Decrease) / increase in bank overdrafts	-	(57)	(58)
Payment of finance lease liabilities	(95)	(108)	(194)
Payment of loan notes	(140)	(159)	(348)
Payment of long term borrowings	(474)	(589)	(1,270)
<b>Net cash inflows from financing activities</b>	<b>(709)</b>	<b>87</b>	<b>(870)</b>
<b>(Decrease) / increase in cash &amp; cash equivalents</b>	<b>(1,516)</b>	<b>(893)</b>	<b>(3,367)</b>
Cash & cash equivalents at beginning of year	8,643	12,010	12,010
<b>Cash &amp; cash equivalents at end of the year</b>	<b>7,127</b>	<b>11,117</b>	<b>8,643</b>

**Notes to the Interim Report**

**1. Accounting policies and presentation of interim report**

**Basis of preparation**

The interim results for the period ended 30 September 2010 have been prepared using the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The interim results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The comparative financial information presented for the period ended 30 September 2009 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006.

The statutory accounts of COBRA Holdings PLC for the year ended 31 March 2010 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The auditor's report was unqualified, did not include a reference to matters which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention subject to revaluing certain financial instruments. The Company is incorporated and domiciled in England and Wales.

**Basis of accounting**

The interim results have been prepared using the accounting policies that are expected to be applied for the year ended 31 March 2011 which are consistent with those reported in the full financial statements for the year ended 31 March 2010.

**Basis of consolidation**

The consolidated interim report of the Group comprises the financial statements of COBRA Holdings PLC and its subsidiaries as at 30 September 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

All inter-company balances, transactions, income and expense and profits and losses resulting from intra-Group transactions are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is normally evident when COBRA Holdings PLC owns more than 50% of the voting rights of a company's share capital.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed as at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2. Taxation

	6 months ended 30 September 2010 <i>Unaudited</i> £'000	6 months ended 30 September 2009 <i>Unaudited</i> £'000	12 months ended 31 March 2010 <i>Audited</i> £'000
<b>Major components of the tax expense / credit:</b>			
Income tax expense - current period	251	252	348
Over provision in prior period	-	-	4
<b>Tax expense - current period</b>	<b>251</b>	<b>252</b>	<b>352</b>
Deferred tax - current period	(91)	(91)	(166)
Over provision in prior period	-	-	13
<b>Deferred tax credit - current period</b>	<b>(91)</b>	<b>(91)</b>	<b>(153)</b>
<b>Income tax expense</b>	<b>160</b>	<b>161</b>	<b>199</b>

3. Share capital and earnings per share

a) Share Capital

Company	30 September 2010		30 September 2009		31 March 2010	
	No.'000	£'000	No.'000	£'000	No.'000	£'000
Authorised:						
Ordinary shares of £0.25 each	146,140	36,535	146,140	36,535	146,140	36,535
	<b>146,140</b>	<b>36,535</b>	<b>146,140</b>	<b>36,535</b>	<b>146,140</b>	<b>36,535</b>

Company	30 September 2010		30 September 2009		31 March 2010	
	No.'000	£'000	No.'000	£'000	No.'000	£'000
Allotted, called up and fully paid:						
£0.25 each at beginning of period	42,096	10,524	39,485	9,871	39,484	9,871
Issued in the period	82	20	2,612	653	2,612	653
At the end of period	<b>42,178</b>	<b>10,544</b>	<b>42,097</b>	<b>10,524</b>	<b>42,096</b>	<b>10,524</b>

b) Earnings per share

i) Basic

The Basic earnings per share in the year ended 31 March 2010 is calculated by dividing the consolidated profit of £229,875 (30 September 2009: £180,978) attributable to equity holders in the Company by the number of ordinary shares in issue during the year of 42,177,738 (30 September 2009: 42,096,212).

ii) Diluted

Diluted earnings per share is calculated by dividing the consolidated profit of £229,875 (30 September 2009: £180,978) attributable to equity holders in the Company by the ordinary shares in issue together with the share options in issue and convertible debt options in issue during the year of 58,760,227 (2009: 58,396,212).

**4. Equity**

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Convertible debt option	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).
Acquisition reserve	This arose following a Group reorganisation that created the holding company COBRA Holdings PLC.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

**5. Copies of the interim financial statements**

Copies of the unaudited Interim Report are available on the Group's website, <http://www.cobraholdings.co.uk>.