

Company Number: 05548507

**COBRA HOLDINGS PLC**

**INTERIM RESULTS**

**FOR THE 6 MONTH PERIOD ENDED 30 SEPTEMBER 2009**

**COBRA Holdings PLC**

**Unaudited Interim Report for the six months ended 30 September 2009**

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**Company Information**

**Directors**

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

**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 2009**

We are pleased to report our results for the six month period to 30 September 2009.

**Key Points**

- Revenues steady despite pressure on both premiums and commission rates
- Six month operating costs reduced by £0.6m
- Adjusted EBITDA increased by 22% to £1.7 million.
- PBT up by 25% to £0.34 million
- Financing costs of £0.78 million include non-cash fair value charges of £0.21 million on interest free deferred consideration for acquisitions and loan notes
- COBRA Network signed up its 158<sup>th</sup> new member during the period.
- Underwriting GWP increased by 64%.

We are very pleased to report a significant increase at the adjusted EBITDA level despite continuing difficult 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 22% has been achieved despite the fact that premium rates in the UK remain generally weak. This has largely been achieved through continual re-evaluation of operating costs.

The Group has not made any acquisitions during this period but has focused on improving operating efficiencies within the newly absorbed entities. We continue to nurture our key staff as well as recruiting outside talent to ensure that we improve our client service levels and maintain our good retention rates.

As well as focusing on customer service, the Group continues to cultivate relationships with our insurance panel members ensuring that we can maintain our Network service offering including 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.

COBRA London Markets Ltd, the Group's Lloyd's broker, has returned to profitability with an increase in underlying EBITDA of £0.6 million from £(0.2 million) to £0.4 million.

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 2009**

	Note	6 months ended 30 September 2009 <i>Unaudited</i> £'000	6 months ended 30 September 2008 <i>Unaudited</i> £'000	12 months ended 31 March 2009 <i>Audited</i> £'000
<b>Revenue</b>				
Commissions		11,714	11,809	22,467
Interest and investment income		18	219	247
Other income		-	-	286
		11,732	12,028	23,000
Staff costs		(5,991)	(6,940)	(13,147)
Property costs		(602)	(713)	(1,333)
Other operating costs		(3,420)	(2,964)	(5,872)
		(10,013)	(10,617)	(20,352)
Adjusted EBITDA *		1,719	1,411	2,648
Share based payment expenses		(84)	(84)	(134)
Depreciation of property, plant and equipment		(192)	(180)	(420)
Amortisation of intangible assets		(325)	(307)	(595)
		1,118	840	1,499
<b>Operating profit</b>				
Finance costs		(776)	(566)	(1,194)
		342	274	305
<b>Profit before tax</b>				
Income tax expense	2	(161)	(163)	(261)
		181	111	44
<b>Profit for the period and total comprehensive income</b>				
<b>Earnings per share</b>				
Basic	3b	0.43p	0.28p	0.11p
Diluted	3b	0.41p	0.26p	0.10p

\* Earnings before finance costs, share option charges, tax, amortisation and depreciation

All amounts relate to continuing activities. The profit for the period is attributable to the equity shareholders of the parent undertaking.

**Consolidated Statement of Financial Position  
As at 30 September 2009**

Company Number: 05548507

	Notes	30 September 2009 <i>Unaudited</i> £'000	30 September 2008 <i>Unaudited</i> £'000 <i>Restated</i>	31 March 2009 <i>Audited</i> £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		2,309	2,488	2,474
Investments		53	65	53
Goodwill and other intangibles		24,972	23,886	25,215
		<u>27,334</u>	<u>26,439</u>	<u>27,742</u>
<b>Current assets</b>				
Trade and other receivables		5,542	5,340	4,858
Cash and cash equivalents		11,117	10,785	12,010
		<u>16,659</u>	<u>16,125</u>	<u>16,868</u>
<b>Total assets</b>		<u><b>43,993</b></u>	<u><b>42,564</b></u>	<u><b>44,610</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings		14,949	13,596	14,608
Provision for liabilities		1,109	1,104	1,075
Deferred tax		1,482	988	1,573
		<u>17,540</u>	<u>15,688</u>	<u>17,256</u>
<b>Current liabilities</b>				
Borrowings		1,897	2,354	2,023
Current tax payable		664	259	681
Trade and other payables		11,924	13,726	12,997
		<u>14,485</u>	<u>16,339</u>	<u>15,701</u>
<b>Total liabilities</b>		<u>32,025</u>	<u>32,027</u>	<u>32,957</u>
<b>Equity</b>				
Share capital	3a	10,524	10,274	10,524
Convertible debt option		383	-	333
Share premium		4,088	3,538	4,088
Acquisition reserve	4	(3,947)	(3,947)	(3,947)
Retained earnings		920	672	655
<b>Total equity</b>		<u>11,968</u>	<u>10,537</u>	<u>11,653</u>
<b>Total equity and liabilities</b>		<u><b>43,993</b></u>	<u><b>42,564</b></u>	<u><b>44,610</b></u>

Statement of Changes in Equity

	Share capital £'000	Convertible debt £'000	Share premium £'000	Acquisition reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2008</b>	9,871	-	2,313	(3,947)	807	9,044
Prior period adjustment		-		-	(330)	(330)
<b>Restated balance</b>	<u>9,871</u>	<u>-</u>	<u>2,313</u>	<u>(3,947)</u>	<u>477</u>	<u>8,714</u>
<b>Changes in equity</b>						
Total comprehensive income for the period	-	-	-	-	111	111
Total comprehensive income					111	111
Shares issued	403	-	-	-	-	403
Share premium	-	-	1,225	-	-	1,225
Share based payment	-	-	-	-	84	84
<b>At 30 September 2008</b> <i>Unaudited</i>	<b>10,274</b>	<b>-</b>	<b>3,538</b>	<b>(3,947)</b>	<b>672</b>	<b>10,537</b>
<b>Changes in equity</b>						
Total comprehensive income for the period	-	-	-	-	(67)	(67)
Total comprehensive income					(67)	(67)
Shares issued	250	-	-	-	-	250
Convertible debt	-	333	-	-	-	333
Share premium	-	-	550	-	-	550
Share based payment	-	-	-	-	50	50
<b>At 31 March 2009</b> <i>Audited</i>	<b>10,524</b>	<b>333</b>	<b>4,088</b>	<b>(3,947)</b>	<b>655</b>	<b>11,653</b>
<b>Changes in equity</b>						
Total comprehensive income for the period		-		-	181	181
Total comprehensive income		-		-	181	181
Convertible debt		50		-	-	50
Share based payment		-		-	84	84
<b>At 30 September 2009</b> <i>Unaudited</i>	<b>10,524</b>	<b>383</b>	<b>4,088</b>	<b>(3,947)</b>	<b>920</b>	<b>11,968</b>

**Consolidated Statement of Cash Flow**  
**For the 6 month period ended 30 September 2009**

	6 months ended 30 September 2009 <i>Unaudited</i> £'000	6 months ended 30 September 2008 <i>Unaudited</i> £'000	12 months ended 31 March 2009 <i>Audited</i> £'000
<b>Cash generated from operations</b>			
Profit before taxation	342	274	305
Depreciation of property, plant & equipment	192	180	420
Amortisation of customer relationships	325	307	595
Loss on disposal of fixed assets	8	-	-
Share based payment expense	84	84	134
Finance expense on other financial liabilities	59	11	150
Finance expense on deferred consideration	56	106	241
Finance expense on loan notes	57	58	116
Finance expense on convertible debt	41	-	35
Other finance costs	563	327	653
Changes in working capital net of effect of acquisitions:			
Trade and other receivables	(684)	(353)	369
Trade and other payables	(145)	1,788	920
	<b>898</b>	<b>2,782</b>	<b>3,938</b>
<b>Cash inflows from operating activities</b>			
Cash generated from operations	898	2,782	3,938
Income taxes paid	(268)	(187)	(131)
Finance costs	(563)	(327)	(653)
<b>Net cash generated from operating activities</b>	<b>67</b>	<b>2,268</b>	<b>3,154</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	(33)	(60)	(135)
Proceeds from disposal of property, plant & equipment	18	-	-
Acquisition of subsidiaries, net of cash acquired	(83)	(2,929)	(1,833)
Deferred consideration on acquisitions	(949)	(2,650)	(6,431)
<b>Net cash outflows from investing activities</b>	<b>(1,047)</b>	<b>(5,639)</b>	<b>(8,399)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	-	595	447
Proceeds from long term borrowings	1,000	6,000	11,818
(Decrease) / increase in bank overdrafts	(57)	21	22
Payment of finance lease liabilities	(108)	(99)	(244)
Payment of loan notes	(159)	-	(372)
Payment of long term borrowings	(589)	(594)	(2,649)
<b>Net cash inflows from financing activities</b>	<b>87</b>	<b>5,923</b>	<b>9,022</b>
<b>(Decrease) / increase in cash &amp; cash equivalents</b>	<b>(893)</b>	<b>2,552</b>	<b>3,777</b>
Cash & cash equivalents at beginning of period	12,010	8,233	8,233
<b>Cash &amp; cash equivalents at end of the period</b>	<b>11,117</b>	<b>10,785</b>	<b>12,010</b>

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

#### **Basis of preparation**

The interim results for the period ended 30 September 2009 have been prepared using the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union (IFRS).

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 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The statutory accounts of COBRA Holdings PLC for the year ended 31 March 2009 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 237(2) or 272(3) of the Companies Act 1985.

The financial statements have been prepared under the historical cost convention. 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 2010 which are consistent with those reported in the full financial statements for the year ended 31 March 2009 except for the adoption of IAS 1 "Presentation of Financial Statements" (Revised) which has only resulted in changes in terminology used in relation to the primary statements. The presentation of the statement of comprehensive income for the 6 months ended 30 September 2008 and for the year to 31 March 2009 have been updated since the publication of those results to reflect the revised presentation required under IAS 1 "Presentation of Financial Statements" (Revised).

#### **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 2009. 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.

1. Accounting policies and presentation of interim report (continued)

**Prior period adjustment**

As part of the financial close reporting process for the year ended 31 March 2009, certain Group consolidation adjustments principally in respect of accrued commission were found not to have been required. Following on from this discovery Management undertook a review of the prior period consolidation and discovered that similar adjustments were not required in the prior period, these have been corrected as a prior period adjustment. Management did not identify any similar adjustments required to earlier periods than that ended 31 March 2008. Consequently, the opening balances in the Consolidated Statement of Financial Position for 30 September 2008 comparatives have been restated.

	<b>30 September 2008 Unaudited £'000 Previously reported</b>	<b>Adjustments</b>	<b>30 September 2008 Unaudited £'000 Restated</b>
<b>Current assets</b>			
Trade and other receivables	5,811	(471)	5,340
<b>Total assets</b>	<u><u>43,035</u></u>	<u><u>(471)</u></u>	<u><u>42,564</u></u>
<b>Equity</b>			
Retained earnings	1,002	(330)	672
<b>Current liabilities</b>			
Current tax payable	400	(141)	259
<b>Total equity and liabilities</b>	<u><u>43,035</u></u>	<u><u>(471)</u></u>	<u><u>42,564</u></u>

2. Taxation

	<b>6 months ended 30 September 2009 Unaudited £'000</b>	<b>6 months ended 30 September 2008 Unaudited £'000</b>	<b>12 months ended 31 March 2009 Audited £'000</b>
<b>Major components of the tax expense / credit:</b>			
Income tax expense - current period	252	163	461
Over provision in prior period	-	-	(20)
<b>Tax expense - current period</b>	<u><u>252</u></u>	<u><u>163</u></u>	<u><u>441</u></u>
Deferred tax - current period	(91)	-	(201)
Over provision in prior period	-	-	21
<b>Deferred tax credit - current period</b>	<u><u>(91)</u></u>	<u><u>-</u></u>	<u><u>(180)</u></u>
<b>Income tax expense</b>	<u><u>161</u></u>	<u><u>163</u></u>	<u><u>261</u></u>

### 3. Share capital and earnings per share

#### a) Share Capital

Company	30 September 2009		30 September 2008		31 March 2009	
	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
	<u>146,140</u>	<u>36,535</u>	<u>146,140</u>	<u>36,535</u>	<u>146,140</u>	<u>36,535</u>

Company	30 September 2009		30 September 2008		31 March 2009	
	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	-	-	1,612	403	2,612	653
At the end of period	<u>42,096</u>	<u>10,524</u>	<u>41,097</u>	<u>10,274</u>	<u>42,096</u>	<u>10,524</u>

#### b) Earnings per share

##### i) Basic

The Basic earnings per share in the period ended 30 September 2009 is calculated by dividing the consolidated profit of £180,978 (30 September 2008: profit £110,833) attributable to equity holders in the Company by the weighted average number of ordinary shares in issue during the period of 42,096,216 (30 September 2008: 40,247,568) ordinary shares of £0.25 each.

##### ii) Diluted

Diluted earnings per share in the period ended 30 September 2009 is calculated by dividing the consolidated profit of £180,978 (30 September 2008: profit £110,833) attributable to equity holders in the Company by the weighted average number of ordinary shares in issue together with the share options in issue during the period of 43,951,517 (30 September 2008: 42,287,568) ordinary shares of £0.25 each.

### 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>.