

Company Number: 05548507

COBRA HOLDINGS PLC

INTERIM RESULTS

FOR THE 6 MONTH PERIOD ENDED 30 SEPTEMBER 2008

COBRA Holdings PLC
Unaudited Interim Report 2008

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Company Information

Directors

S M Burrows
H Poulton
P J Robinson
D Harris
S M Bullock

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 Stoy Hayward 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 2008

We are pleased to report our results for the six month period to 30 September 2008.

Key Points

- Acquisition of five businesses comprising three insurance brokers, an underwriting agency and an IFA.
- Acquisitions in the period have added approximately £17.5 million annualised Gross Written Premium ("GWP") to the Group.
- Underwriting GWP increased by 263%.
- Revenues increased by 55% to £11.8 million.
- Underlying EBITDA increased by 19% to £1.4 million.
- PBT down by 66% to £0.27 million due to increased amortisation of acquired intangibles and finance charges resulting from acquisitions
- Financing costs of £0.57 million include non-cash fair value charges of £0.24 million on interest free deferred consideration for acquisitions and loan notes
- COBRA Network signed up its 140th new member during the period and recruiting an average of 2 new members per month.

In 2007 the Group changed its accounting reference date from 31 December to 31 March to more closely align the Group's reporting cycle with that of its principal suppliers. Therefore these interim results are for the 6 months ended 30th September 2008 and the comparatives are for the 6 months ended 30th June 2007. Seasonal factors have not materially impacted the comparability of the two periods.

As a result of the Group's ongoing programme of targeted acquisitions, revenues for the Group have increased by 55% and underlying EBITDA has risen by 19% against the first six months of the period to 31 March 2008. Increased non cash charges from amortisation of acquired intangibles, fair value adjustments to financing charges and share option charges of £424,000 in aggregate have principally contributed to the decrease in PBT from £801,000 to £274,000 and the corresponding decrease in EPS.

During the six months the Group acquired five further businesses comprising three insurance broking entities, COBRA Giles Limited (formerly Giles (Alton) Limited), COBRA J.K. Lee Limited (formerly J.K. Lee Limited), COBRA G.D.K Limited (formerly G.D.K Insurance Services Limited) an underwriting agency, COBRA County Schemes Limited (formerly County Insurance Services Schemes) and Opal Mortgage Life and Pensions Limited. These businesses are being integrated into the Group structure and disciplines, which is expected to enhance our EBITDA and underlying profits for 2009.

Generally premium rates remain weak in the UK but are now expected to rise in 2009 across all lines. However, the Group continues to re-evaluate its operating costs to improve margins where possible.

The Group continues to benefit from advantageous financing terms from two major insurers and the Group estimates it will earn enhanced commissions of £0.7 million over the remaining course of these financing arrangements.

The associated benefits of the underwriting arrangements from these insurers accruing over time include:

- Referrals of Lloyd's business to CLM by Network members.
- Improvement in margins where Network members place additional insurance with CUA
- Increase in revenues over time as the new Network members' clients renew their insurances and move to COBRA panel insurers

The outlook for most of the financial services sector over the next twelve months is problematic and the best expectation is that the insurance broking industry will encounter its share of challenges in the coming months. Whilst it is possible that general over-riding commissions in the network will come under increasing scrutiny the board expects to mitigate this by actively managing the placement of business with insurers.

The acquisitions that the Group has made over the last 15 months have added approximately £30 million retail GWP to the Group as well as further enhancing underwriting premiums. The full impact of improved rates of commission and revenue synergies are expected to enhance EBITDA in the year to 31 March 2010, as are the benefits of cost saving programmes which the Board has introduced.

The Board believes that the Group is well placed to weather the worst of the current uncertainty.

Peter Robinson Chairman
Steve Burrows Chief Executive

Consolidated Income Statement
For the 6 month period ended 30 September 2008

	Note	6 months ended 30 September 2008 Unaudited £'000	6 months ended 30 June 2007 Unaudited £'000	15 months ended 31 March 2008 Audited £'000
Revenue				
Commissions		11,809	7,442	18,474
Interest and investment income		219	105	392
Other operating income		-	1	6
		12,028	7,548	18,872
Operating expenses				
Staff costs		(6,940)	(4,432)	(11,338)
Property costs		(713)	(382)	(1,249)
Other operating costs		(2,964)	(1,551)	(4,818)
Contribution to costs of COBRA Underwriting Agencies		-	-	300
		(10,617)	(6,365)	(17,105)
Underlying EBITDA* / Operating profit		1,411	1,183	1,767
Share option charge		(84)	-	(126)
Reorganisation costs – acquired entities		-	-	(166)
Amortisation and depreciation		(487)	(264)	(794)
Finance costs		(566)	(118)	(702)
		(1,137)	(382)	(1,788)
Profit / (loss) before tax		274	801	(21)
Income tax expense	3	(163)	(276)	(169)
Profit / (loss) for the period		111	525	(190)
Profit / (loss) per share:				
Basic	4b	0.28p	1.50p	(0.52)p
Fully diluted	4b	0.26p	1.49p	(0.52)p

* Earnings before finance costs, share option charges, reorganisation costs, 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 Balance Sheet as at 30 September 2008

		30 September 2008 Unaudited	30 June 2007 Unaudited Restated	31 March 2008 Audited
	Notes	£'000	£'000	£'000
ASSETS				
Non-current assets				
Property, plant and equipment		2,488	791	1,902
Investments		65	30	6
Goodwill and other intangibles		23,886	9,358	15,589
		<u>26,439</u>	<u>10,179</u>	<u>17,497</u>
Current assets				
Trade and other receivables		5,811	4,804	4,179
Cash and cash equivalents		10,785	8,247	8,233
		<u>16,596</u>	<u>13,051</u>	<u>12,412</u>
Total assets		<u><u>43,035</u></u>	<u><u>23,230</u></u>	<u><u>29,909</u></u>
EQUITY AND LIABILITIES				
Non-current liabilities				
Borrowings		6,359	1,732	1,669
Other non-current liabilities		4,231	3,054	2,547
Provision for liabilities		1,104	-	1,193
Finance lease obligations		372	191	437
Other financial liabilities		2,634	535	2,726
Deferred tax		988	8	988
		<u>15,688</u>	<u>5,520</u>	<u>9,560</u>
Current liabilities				
Borrowings		1,506	624	760
Finance lease obligations		201	139	201
Current tax payable		400	615	348
Other financial liabilities		647	-	616
Trade and other payables		13,726	9,844	9,380
		<u>16,480</u>	<u>11,222</u>	<u>11,305</u>
Total liabilities		32,168	16,742	20,865
Equity				
Share capital	4a	10,274	9,039	9,871
Share premium		3,538	-	2,313
Acquisition reserve	9	(3,947)	(3,947)	(3,947)
Share based payment reserve		210	-	126
Retained earnings		792	1,396	681
Total equity attributable to shareholders of the parent company		<u>10,867</u>	<u>6,488</u>	<u>9,044</u>
Total equity and liabilities		<u><u>43,035</u></u>	<u><u>23,230</u></u>	<u><u>29,909</u></u>

Consolidated Statement of Changes in Shareholders' Equity
For the 6 month period ended 30 September 2008

	Share capital	Share premium	Acquisition reserve	Share based payment reserve	Retained earnings	Total
	£'000	£'000	Restated £'000	£'000	£'000	Restated £'000
At 1 January 2007	8,424	-	(3,947)	-	871	5,348
Shares issued	615	-	-	-	-	615
Profit for the period	-	-	-	-	525	525
At 30 June 2007 - Unaudited	9,039	-	(3,947)	-	1,396	6,488
Shares issued	832	-	-	-	-	832
Share premium	-	2,313	-	-	-	2,313
Share based payment	-	-	-	126	-	126
Loss for the period	-	-	-	-	(715)	(715)
At 31 March 2008 - Audited	9,871	2,313	(3,947)	126	681	9,044
Shares issued	403	-	-	-	-	403
Share premium	-	1,225	-	-	-	1,225
Share based payment	-	-	-	84	-	84
Profit for the period	-	-	-	-	111	111
At 30 September 2008 - unaudited	10,274	3,538	(3,947)	210	792	10,867

Consolidated Cash Flow Statement
For the 6 month period ended 30 September 2008

	Notes	6 months ended 30 September 2008 Unaudited £'000	6 months ended 30 June 2007 Unaudited £'000	15 months ended 31 March 2008 Audited £'000
Cash flows from operating activities				
Cash generated from operations	6	2,782	2,063	495
Income taxes paid		(187)	-	(288)
Finance costs		(327)	(111)	(345)
Net cash generated / (absorbed) by operating activities		<u>2,268</u>	<u>1,952</u>	<u>(138)</u>
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		-	48	-
Proceeds from sale of investments		-	-	25
Purchase of property, plant and equipment		(60)	(62)	(243)
Acquisition of subsidiaries, net of cash acquired	7	(2,929)	3,101	1,887
Deferred consideration on acquisitions		(2,650)	-	(280)
Net cash from investing activities		<u>(5,639)</u>	<u>3,087</u>	<u>1,389</u>
Cash flows from financing activities				
Proceeds from issue of share capital		595	-	1,698
Proceeds from long term borrowings		6,000	-	3,478
Increase in bank overdrafts		21	-	36
Payment of finance lease liabilities		(99)	(101)	(156)
Payment of loan notes		-	-	(749)
Payment of long term borrowings		(594)	(292)	(926)
Net cash from financing activities		<u>5,923</u>	<u>(393)</u>	<u>3,381</u>
Increase in cash and cash equivalents		2,552	4,646	4,632
Cash and cash equivalents at beginning of period		8,233	3,601	3,601
Cash and cash equivalents at end of the period		<u>10,785</u>	<u>8,247</u>	<u>8,233</u>

1. Accounting policies and presentation of interim report

Basis of preparation

In 2007 the Company changed its accounting reference date from 31 December 2007 to 31 March 2008. Therefore this interim report has been prepared for the 6 months ended 30 September 2008 and the comparatives are for the 6 months ended 30 June 2007. The comparative figures for the 15 months ended 31 March 2008 were derived from the statutory accounts for that period which have been delivered to the Registrar of Companies. Those accounts received a qualified audit report.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC interpretations and the Companies Act 1985 as applicable to companies reporting under IFRS.

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

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 2008. 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.

Prior year adjustment

The brought forward fair value of the goodwill arising on, and the loan notes issued to the vendors of, prior period acquisitions has been adjusted on the previous years balance sheet as reported in the consolidated Financial statements for the period to 31 March 2008. This has resulted in a restatement of the comparative balance sheet for the six months to 30 June 2007.

2. Segmental reporting

Business segments

Based on risks and returns, the Directors consider that the Group business segments during the period ended 30 September 2008 were as follows:

- Provision of independent financial advice (comprising COBRA Financial Services Limited)
- Retail insurance (comprising all other subsidiary companies)
- Wholesale insurance (comprising COBRA London Markets Limited)
- Underwriting agency activity (comprising COBRA Underwriting Agencies Limited)
- Network (comprising COBRA Network Limited)

30 September 2008	Revenue	Segment result	Amortisation & depreciation	Assets	Liabilities	Capital expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Financial advice	573	(119)	21	753	175	40
Retail insurance	5,857	857	81	11,770	5,481	12
Wholesale insurance	2,018	(193)	21	4,906	4,635	19
Underwriting agency activity	1,292	(89)	9	3,132	2,519	5
Network	2,179	1,020	9	2,758	547	27
Unallocated	109	(636)	346	19,716	18,811	21
	<u>12,028</u>	<u>840</u>	<u>487</u>	<u>43,035</u>	<u>32,168</u>	<u>124</u>
Finance costs		(566)				
Profit before tax		<u>274</u>				

	Assets £'000	Liabilities £'000
Segments asset/liabilities	23,319	13,357
Unallocated:		
Property, plant and equipment	918	-
Goodwill and other intangibles	23,316	-
Trade and other receivables	1,359	-
Cash and cash equivalents	1	-
Intercompany consolidation elimination	(5,029)	(5,029)
Inter-group investment elimination	(849)	-
Other non-current liabilities	-	4,231
Borrowings	-	7,832
Current tax payable	-	400
Deferred tax	-	1,033
Financial liabilities	-	1,731
Provision for liabilities	-	1,104
Finance lease obligations	-	215
Trade and other payables	-	7,294
	<u>19,716</u>	<u>18,811</u>
At 30 September 2008	<u>43,035</u>	<u>32,168</u>

2. Segmental reporting (continued)

Business segments (continued)

30 June 2007	Revenue	Segment result	Amortisation & depreciation	Assets	Liabilities	Capital expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Financial advice	706	60	34	863	373	20
Retail insurance	2,593	422	55	5,956	3,875	102
Wholesale insurance	2,033	7	49	6,406	5,688	34
Underwriting agency activity	815	208	-	836	397	29
Network	1,621	928	31	1,779	422	14
Unallocated	(220)	(706)	95	7,390	5,987	110
	<u>7,548</u>	<u>919</u>	<u>264</u>	<u>23,230</u>	<u>16,742</u>	<u>309</u>
Finance costs		(118)				
Loss before tax		<u>801</u>				

	Assets £'000	Liabilities £'000
Segments asset/liabilities	15,840	10,755
Unallocated:		
Property, plant and equipment	90	-
Goodwill and other intangibles	8,873	-
Trade and other receivables	2,813	-
Cash and cash equivalents	2	-
Intercompany consolidation elimination	(3,839)	(3,839)
Inter-group investment elimination	(549)	-
Other non-current liabilities	-	3,054
Borrowings	-	2,356
Current tax payable	-	615
Deferred tax	-	8
Financial liabilities	-	535
Finance lease obligations	-	39
Trade and other payables	-	3,219
	<u>7,390</u>	<u>5,987</u>
At 30 June 2007	<u>23,230</u>	<u>16,742</u>

2. Segmental reporting (continued)

Business segments (continued)

Following finalisation of the group financial statements for the period to 31 March 2008 the corporation tax, deferred tax on customer relationship and goodwill balances were re-assessed and this has resulted in a reallocation of the balances between segments which are restated below. There is no change to the net asset position previously reported in the consolidated financial statements for the period to 31 March 2008.

31 March 2008	Revenue £'000	Segment result £'000	Amortisation & depreciation £'000	Assets £'000	Liabilities £'000	Capital expenditure £'000
Financial advice	1,442	103	53	774	226	51
Retail insurance	9,096	1,798	512	8,962	4,673	255
Wholesale insurance	4,744	(254)	160	4,601	4,183	86
Underwriting agency activity	1,948	489	4	2,643	1,936	73
Network	3,599	911	28	2,638	1,185	34
Unallocated	(1,957)	(2,366)	37	10,291	8,662	274
	<u>18,872</u>	<u>681</u>	<u>794</u>	<u>29,909</u>	<u>20,865</u>	<u>773</u>
Finance costs		(702)				
Loss before tax		<u>(21)</u>				

	Assets £'000	Liabilities £'000
Segments asset/liabilities	19,618	12,203
Unallocated:		
Property, plant and equipment	936	-
Goodwill and other intangibles	15,016	-
Trade and other receivables	2,663	-
Cash and cash equivalents	1,171	-
Intercompany consolidation elimination	(8,646)	(8,646)
Inter-group investment elimination	(849)	-
Other non-current liabilities	-	2,547
Borrowings	-	2,392
Current tax payable	-	350
Deferred tax	-	1,032
Financial liabilities	-	1,724
Provision for liabilities	-	1,193
Finance lease obligations	-	246
Trade and other payables	-	7,824
	<u>10,291</u>	<u>8,662</u>
At 31 March 2008	<u>29,909</u>	<u>20,865</u>

2. Segmental reporting (continued)

Geographical segments

COBRA London Markets Limited (the Group's Wholesale division) provides insurance intermediary services to clients outside the United Kingdom as follows:

Revenue by location of customers	6 months ended 30 September 2008 £'000	6 months ended 30 June 2007 £'000	15 months ended 31 March 2008 £'000
United States	237	260	612
Republic of Ireland	262	247	541
Australia	66	65	144
South Korea	31	77	203
Rest of world	19	6	15
	615	655	1,515
United Kingdom	1,360	1,343	3,229
	1,975	1,998	4,744

These figures represent commission received.

All the Group's assets and trading operations are in the UK and all Group client monies are held within the UK.

3. Taxation

	6 months ended 30 September 2008 £'000	6 months ended 30 June 2007 £'000	15 months ended 31 March 2008 £'000
Major components of the tax expense / credit:			
Income tax expense – current period	163	276	350
Over provision in prior year	-	-	(8)
Adjusted tax expense – current period	163	276	342
Deferred tax – current period	-	-	(121)
Over provision in prior year	-	-	(52)
Adjusted deferred tax (credit) / expense – current period	-	-	(173)
Income tax expense	163	276	169

4. Share capital and earnings per share

a) Share Capital

Company

	30 September 2008		30 June 2007		31 March 2008	
	No.'000	£'000	No.'000	£'000	No.'000	£'000
Authorised:						
Ordinary shares of £1 each	-	-	36,535	36,535	-	-
Ordinary shares of £0.25 each	146,140	36,535	-	-	146,140	36,535
	<u>146,140</u>	<u>36,535</u>	<u>36,535</u>	<u>35,535</u>	<u>146,140</u>	<u>36,535</u>

Company

Allotted, called up and fully paid:

	30 September 2008		30 June 2007		31 March 2008	
	No.'000	£'000	No.'000	£'000	No.'000	£'000
Ordinary shares:						
£1 each at beginning of period	-	-	8,424	8,424	8,424	8,424
Issued in the period	-	-	615	615	615	615
	<u>-</u>	<u>-</u>	<u>9,039</u>	<u>9,039</u>	<u>9,039</u>	<u>9,039</u>
Subdivided into £0.25 each:						
Ordinary shares of £0.25 each:	39,485	9,871	36,156	9,039	36,156	9,039
Issued in the period	1,612	403	-	-	3,329	832
At the end of period	<u>41,097</u>	<u>10,274</u>	<u>36,156</u>	<u>9,039</u>	<u>39,485</u>	<u>9,871</u>

b) Profit / (Loss) per share

i) Basic

The Basic earnings per share in the period ended 30 September 2008 is calculated by dividing the consolidated profit of £110,833 (June 2007: £524,907) attributable to equity holders in the Company by the weighted average number of ordinary shares in issue during the period of 40,247,568 (June 2007: 34,905,292) ordinary shares of £0.25.

ii) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to take account of the potential dilutive effect of outstanding share options. Share options outstanding at 30 September 2008 were 2,040,000 (June 2007: 1,960,000).

5. Acquisitions

COBRA Holdings PLC purchased the entire share capital of the following companies, all of which are incorporated in England & Wales. Unless otherwise stated, the acquisitions were for 100% of the share capital and voting rights:

Acquisitions

On 2 April 2008, COBRA Holdings PLC purchased 100% of the shares in the following companies:

- COBRA Giles (Alton) Ltd (previously Giles (Alton) Ltd), a retail broker.
- COBRA J K Lee Ltd (previously J K Lee Ltd), a retail broker.

On the same date it bought the business of the following companies:

- COBRA G.D.K (previously G.D.K Insurance Services Limited), a retail broker
- COBRA County Schemes (previously County Insurance Services Schemes), an underwriting agency

On 26 September 2008, COBRA Holdings PLC purchased 100% of the shares in Opal Mortgage Life and Pensions Ltd, ("OPAL"), an independent financial advisor.

The provisional fair values of the assets and liabilities arising from these acquisitions are as follows:

	COBRA Giles Limited	COBRA JK Lee Limited	COBRA County Schemes	COBRA G.D.K	Opal Mortgage Life and Pensions Limited
	£'000	£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	598	4	97	49	14
Investments	-	-	-	-	4
Customer relationships	552	195	1,812	410	160
Current assets					
Receivables	281	984	8	253	16
Cash and cash equivalents	883	420	556	126	175
	<u>2,314</u>	<u>1,603</u>	<u>2,473</u>	<u>838</u>	<u>369</u>
Current liabilities	(657)	(1,107)	(531)	(353)	(85)
Non-current liabilities	(124)	(62)	(447)	(92)	(35)
Net assets acquired	<u>1,533</u>	<u>434</u>	<u>1,495</u>	<u>393</u>	<u>249</u>
Goodwill	2,430	1,386	1,433	140	267
Total consideration	<u><u>3,963</u></u>	<u><u>1,820</u></u>	<u><u>2,928</u></u>	<u><u>533</u></u>	<u><u>516</u></u>
Satisfied by:					
Cash and expenses	1,071	824	804	304	236
Ordinary £0.25 shares issued in COBRA Holdings PLC	200	255	450	90	38
Deferred consideration	2,692	741	1,674	139	242
Total consideration	<u><u>3,963</u></u>	<u><u>1,820</u></u>	<u><u>2,928</u></u>	<u><u>533</u></u>	<u><u>516</u></u>

6. Cash generated from operations

Consolidated	6 months ended 30 September 2008 £'000	6 months ended 30 June 2007 £'000	15 months ended 31 March 2008 £'000
Profit / (loss) before taxation	274	801	(21)
Depreciation of property, plant and equipment	180	122	390
Amortisation of customer relationships	307	142	404
Share option charge	84	-	126
Fair value charge on other financial liabilities	11	-	8
Fair value charges on deferred consideration	106	-	133
Fair value charges on loan notes	58	-	140
Finance costs	327	111	345
Changes in working capital net of effect of acquisitions:			
Trade and other receivables	(353)	(5,586)	(302)
Trade and other payables	1,788	6,473	(728)
	<u>2,782</u>	<u>2,063</u>	<u>495</u>

7. Acquisition of subsidiaries

Consolidated	6 months ended 30 September 2008 £'000	6 months ended 30 June 2007 £'000	15 months ended 31 March 2008 £'000
Total purchase consideration paid less deferred consideration payable	(4,272)	(1,334)	(8,639)
Less: non-cash consideration	1,033	1,327	5,540
Additional costs on prior year acquisitions	(1,168)	-	(142)
Consideration paid in cash	<u>(4,407)</u>	<u>(7)</u>	<u>(3,241)</u>
Less: cash and cash equivalents acquired net of overdrafts	1,478	3,108	5,127
Net cash inflow on acquisition	<u>(2,929)</u>	<u>3,101</u>	<u>1,886</u>

8. Post balance sheet events

At the date of this report the Company was in discussions for a secured funding facility of up to £7 million.

9. Acquisition reserve

This arose following a group reorganisation that created the new holding company, Cobra Holdings PLC.