

Company Number: 05548507

**COBRA HOLDINGS PLC**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2011**

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**Company Information**

**Directors**

S M Burrows  
H Poulton (resigned 15 September 2011)  
D G E Stanley  
P J Robinson  
D Harris  
S M Bullock  
D M J Wainford

**Secretary and Registered Office**

D G E Stanley  
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 year to 31 March 2011**

We are pleased to report our results for the year to 31 March 2011.

**Key Financial Points**

- Total revenue increased by 1.58% to £23.04M
- Commission income increased by 8.28% to £23.02M
- Like for like EBITDA increased by 35% to £2.42M (2010 EBITDA after adjustment of one off other income of £1.39M was £1.79M)
- Loss before tax of £1.74M reflects a goodwill impairment charge of £1.50M.
- Post year end disposals to provide significant funds for reduction in debt and for new projects.

**Key Operational Points**

- COBRA Network increased member premiums generating revenue growth of 9%
- COBRA Underwriting (CUA) commissions increased by 12%
- COBRA London Markets commission increased by 22%
- COBRA Insurance Brokers profit before tax increased by 50%
- COBRA Financial Services revenue grew by 10%

Market conditions continue to be challenging, but our trading results illustrate that through the continued achievement of synergies from past acquisitions, COBRA has continued to achieve commission growth. We continue to evaluate our business mix. The post year end disposals will enable the Group to focus on organic growth in core revenue areas and provide funds for new projects. The Group will continue to reduce its operating costs over the next 12 months.

COBRA London Markets ("CLM"), our Lloyd's broker, continued to show improvement in commission revenues (on a like for like basis), despite the difficult trading market. Growth continues to emanate from COBRA Network members and other Brokers with a strong pipeline of new business. In the year to 31 March 2010 CLM enjoyed an exceptional credit write-back of £1.39M treated as other income.

Once again, COBRA Network's gross written premium across its membership via our selected panel of insurers continues to grow against the back drop of increased competition. Whilst there are new entrants in the Network market, our focused approach to service and increased offerings to our members, should provide sustained growth in both gross written premiums and commissions, across our markets.

Our continual investment in COBRA Underwriting Agencies Ltd (CUA) has again produced significant premium growth, whilst maintaining excellent claims ratio's on behalf of our supporting insurers. This is testament to the careful and considered underwriting stance taken by our staff, producing results often better than our peers. CUA continues to be an important strategic element of the Group and as the new computer system is embedded into the day to day trading, CUA will be able to increase efficiency.

At the year end, we provided for £1.5M of goodwill impairment primarily associated with the potential sale of the business and certain fixed assets of our insurance broking operations in Caterham and Alton. A contract was signed in September 2011 for the sale of these operations to ASG Risk Management Ltd, a subsidiary of Aston Scott Group plc. The consideration comprises £5.49M in cash on completion in November 2011 and a cash earn out over 2 years anticipated to be circa £2.7M.

We believe that the disposals leave COBRA well placed to build on these results over the coming 12 months, as the organic growth plans, cost reductions and initiatives continue to bear fruit.

**Peter Robinson**  
**Steve Burrows**

**Chairman**  
**Chief Executive**

## Report of the Directors

The Directors present their report together with the audited financial statements for the year to 31 March 2011.

### Results and dividends

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 14. The adjusted EBITDA for the financial year was £2,415,524 (2010: £3,178,571) and the Group recorded a loss before taxation of £1,744,406 (2010: £391,987). The Directors do not recommend the payment of a dividend for the year (2010: £nil).

### Principal activities and business review

COBRA Holdings PLC is a UK-based retail and wholesale insurance broking group, having at its core a nationwide insurance network. It provides services including marketing, access to market, compliance assistance and brand awareness to in excess of 100 independent insurance brokers. In addition, it offers retail insurance via its general broking arms, wholesale Lloyd's facilities using its own Lloyd's broker, underwriting capacity from major UK insurers via its underwriting company and financial advice via its own independent financial services company. The Group has expanded over the last year due to both organic and new business growth and is now an established consolidator.

### *COBRA Network*

Over the past 12 months, the Network has concentrated on member profitability and with improved management information, has consolidated its overall membership to those brokers who have growth plans and a strong desire to succeed. The Network continues to grow in gross written premiums transacted via its selected panel of insurers and is well placed to continue to expand in 2012.

The Network offering is via four distinct areas, namely, COBRA Genesis, COBRA Classic, COBRA Choice and COBRA Capital Release. This allows the Network to cater for an increased range of Insurance Brokers, providing a menu of services, bespoke to each member's needs.

It is anticipated that further improvements will be launched to both existing and new members, during 2012, which will significantly enhance the current offering.

### *COBRA Underwriting Agency (CUA)*

The Underwriting agency has now successfully integrated County Schemes, acquired in 2008. Growth continues to meet expectations showing increased revenue for the year of 13% (on a like-for-like annual basis) to £5.03M whilst maintaining excellent claims ratio's on behalf of our supporting insurers

A new bespoke computer system has now been implemented within the underwriting agency with full conversion of data expected during 2011. As this progresses CUA is increasing its efficiency.

### *COBRA London Markets (Lloyd's Wholesale Insurance Broking)*

COBRA London Markets continues to grow organically, against the back drop of a soft market. Whilst previously the majority of growth has come through the Network, we are now securing further external agency accounts, both direct and via our Underwriting Agency.

Further I.T improvements have been implemented over the past 12 months to improve efficiency. These will continue to bring further improvements in both profitability and operational efficiency

**Report of the Directors (continued)**

***COBRA Insurance Brokers (Retail Insurance Broking)***

The U.K retail insurance market continues to be "soft", affecting both commercial and domestic insurance premiums.

We will continue to concentrate on further improving our relationships with existing clients, whilst carefully selecting profitable new business opportunities.

Our retail division continually researches the market for new scheme opportunities, which we believe allows us to grow within all market cycles.

***COBRA Financial Services ("CFS")***

Following the shift in emphasis to corporate clients. Financial Services has enjoyed a 10% growth in revenues for the past year. As the client base continues to build, we are confident that this trend will continue, with new opportunities evolving as a result. It is therefore anticipated that growth will continue in these markets

**Key performance indicators**

The Directors consider the key financial performance indicators of the Group for 2011 to be:

- Rate of growth of commissions and fees
- Growth through increasing gross written premium via the COBRA Network's selected panel of insurers

In the current financial year total commission and fees have grown by 8.28% (2010: -0.02%)

**Future Developments**

The Group's future developments are outlined in the Chairman's and Chief Executive's Review.

**Risks and uncertainties**

***Operational risk***

The management of the business and the execution of the Group's strategy are subject to a number of risks.

The key business risks affecting the Group are considered to relate to competition from local and national brokers, employee retention and insurance premium levels. FSA compliance continues to demand greater attention as the regulator amends its policies.

Operational management monitor the activities of competing local and national brokers on an ongoing basis and operational strategy is adapted at regular meetings of the Executive and Operating boards, with action taken to counter the activities of significant competitors as required.

Retention of key employees is a priority of the business with emphasis being placed on consultation and communication with employees. The Human Resources function, under the oversight of the Remuneration Committee, regularly monitors industry remuneration surveys and benchmarks packages offered by our competitors to ensure key staff are employed on attractive terms and conditions.

We maintain a compliance function at both Group and regulated subsidiary levels and all staff with responsibility for compliance receive regular training. The Group provides compliance services and training in compliance matters to COBRA Network members.

***Financial risk management***

The Group's operations expose it to financial risks that include liquidity risk and interest rate risk. The Group has long term debt and is therefore exposed to risk in this respect but the Directors do not currently consider it necessary to use derivative financial instruments to manage interest rate costs, nor is hedge accounting applied.

The Group's risk management function manages and continually monitors the financial risks relating to the Group's operations. The Group's senior management meets regularly to review and, if appropriate, approve the implementation of optimal strategies for effective management of financial risk.

**Report of the Directors (continued)**

***Pricing risk***

Insurance market prices are subject to risks associated with the industry. The Group's revenues are tied to underlying premium rates in the wider market and if market rates fall then, in the absence of changes in negotiated rates of commission, so does the Group's principal revenue stream.

***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. Liquidity risk comprises three component parts: the servicing of existing obligations under debt instruments, the provision of adequate working capital finance for the Group's operations and the funding of future expansion plans.

The Group has significant obligations in the form of debt finance and deferred consideration outstanding in relation to previous acquisitions. The Group manages those obligations by a combination of servicing debt in accordance with contractual obligations, re-financing as required and negotiating the deferral of obligations if required by short term cash flow constraints or if it is beneficial to the Group to do so.

At the date of approval of the financial statements the group has agreed to sell the business and certain fixed assets of the Group's insurance broking operations in Caterham and Alton. Cash consideration comprising £5.49 million is due on completion in November 2011 and circa £2.7 million is due over a two year earn out period.

The Group's operations generate sufficient cash inflows to provide working capital finance.

The Group actively manages its working finance to ensure the Group has adequate funds for operations.

The Directors consider the current level of funds, including the disposal proceeds, will be sufficient to fund the Group's current level of activity.

***Foreign exchange risk***

The Group principally operates in the UK but does provide intermediary services to clients outside the UK. As a result the Group has exposure to the retranslation gains and losses arising from the impact in exchange rates on insurance assets and liabilities denominated in foreign currencies.

The Group follows a policy of matching foreign currency denominated insurance assets and liabilities so as to minimise the impact of exchange rate movements. However, it is Group policy to maintain an element of client cash in the currencies of its four main trading markets. Consequently, the value of the Group's net insurance assets, when measured in its reporting currency of GBP, will increase or decrease dependent on the exchange rates between GBP, Euros, Australian Dollars and US Dollars.

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business. Premiums and claims are transacted in the same foreign currency as far as possible to achieve a natural hedge.

***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Group's exposure to this risk is minimised by the nature of the agency relationships with Insurers, whereby the Group is not normally liable as principal for premiums due to underwriters or for claims payable to clients. The Group's residual exposure, comprising amounts due for commissions and amounts not covered by an agency relationship is further mitigated in that trade receivables consist of a large number of counterparties and in the case of Underwriters these consist of major UK Insurers. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Report of the Directors (continued)

**Going concern**

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future as detailed in note 1 to the financial statements. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

**International Financial Reporting Standards, as adopted by the European Union ('IFRS')**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by European Union and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRS.

**Directors' third party indemnity provisions**

The Group had in place Directors' and Officers' indemnity insurance cover during the financial year and at the date of approval of the 31 March 2011 financial statements.

**Policy on payment of creditors**

The Company establishes continuing relationships with its suppliers by agreeing mutually acceptable arrangements on an individual basis. The principal trading creditors of the Group are the insurers where payment is typically 60 to 90 days (2010: 60 to 90 days).

**Directors of the Company**

The Directors who served during the year and their remuneration were as follows:

	Total	Salaries	Benefits in kind	Pension
	£	£	£	£
S M Burrows	150,000	119,069	20,931	10,000
H Poulton (resigned 15 September 2011)	81,089	70,000	1,089	10,000
D G E Stanley	140,000	125,000	5,000	10,000
P J Robinson	35,000	35,000	-	-
D Harris	25,000	25,000	-	-
S M Bullock	-	-	-	-
D M J Wainford	25,000	25,000	-	-
	<u>456,089</u>	<u>399,069</u>	<u>27,020</u>	<u>30,000</u>

In addition, the directors' interests in share options is H Poulton has 400,000 share options exercisable at 80p per share from June 2010 and D G E Stanley has 400,000 share options exercisable at 72.5p per share from September 2012.

Included in legal and professional fees, £40,400 relates to costs paid to a third party in respect of services provided by S M Bullock.

**Employment of disabled persons**

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the Group. Particular attention is given to the training, career development and promotion of disabled persons with a view to encouraging them to play an active role in the development of the Group.

**Employee involvement**

The flow of information to staff is maintained by our staff intranet. Members of the management team regularly visit our various sites and discuss matters of current interest and concern to the business with members of staff.

## Report of the Directors (continued)

### Corporate governance

The Directors recognise the value of the Principles of Good Governance and the Code of Best Practice set out in the 2008 Combined Code (the "Combined Code").

Whilst companies whose shares are listed on AIM are not formally required to comply with the Combined Code, the Board supports the code and also the "Guidance for Smaller Quoted Companies" provided by the Quoted Companies Alliance ("QCA") in so far as is practicable and appropriate for a public company of its size. The company has not prepared this statement as though it was reporting against compliance with the Code and is providing the following information on a voluntary basis.

There is a clear division of responsibility between the Chairman and the Chief Executive. The Board comprises six Directors of whom two are executive directors three are independent Non-executive Directors and one non-executive director who is not considered to be independent. None of the Non-executive Directors has day-to-day involvement in running the business of the Company. The Board is responsible for overall strategy, approval of major projects and consideration of significant financing matters. The Board meets at regular, scheduled intervals and follows a formal agenda and can also meet to approve specific transactions.

The Audit Committee of the Board has written terms of reference and is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. The Audit Committee meets to review reports from the auditors at least twice annually. Committee members are non-executive Directors, all of whom are independent. The membership of the Committee during the year was S Bullock (Chair), P Robinson, D Harris and D Wainford. Other Directors attend as observers as required.

The Remuneration Committee of the Board has written terms of reference and is responsible for setting and reviewing the remuneration of the executive Directors and senior managers of the Group, including share options and service agreement terms. Committee members are non-executive Directors, all of whom are independent. The membership of the Committee during the year was D Harris (Chair), S Bullock, P Robinson and D Wainford. The remuneration of non-executive Directors is decided by the Chairman and the executive members of the Board. The Remuneration Committee reviews the performance of the executive Directors annually.

The Directors have access to the advice and services of the company secretary of the Group and may take, at the Company's expense, independent professional advice.

The Directors have adopted a share dealing code which imposes restrictions upon the Directors, members of their families, Senior Managers and any employees of the Company or the Group who are likely to be in possession of unpublished price sensitive information. The share dealing code requires that any such person obtain clearance before dealing in the Ordinary Shares. Clearance will not be given during any period in which the Company is in possession of unpublished price sensitive information, and in particular, during the periods running up to the publication or announcement by the Company of its financial results.

### Political and charitable contributions

The Company and its subsidiaries made charitable donations, in respect of employees' fund-raising activities, during the year of £21,607 (2010: £5,716) to various charities including £12,195 to the Variety Club of Great Britain, £6,517 to Christies Cancer Trust and individual donations less than £500 each were made to various hospices, medical research charities and children's charities totalling £2,895.

There were no political donations during the year (2010: £nil)

### Events after reporting date

On 26 September 2011, a contract was signed for the sale of the business and certain fixed assets of the insurance broking operations in Caterham and Alton to ASG Risk Management Ltd, a subsidiary of Aston Scott Group plc. Completion is scheduled to take place on 30 November 2011. The consideration comprises £5.49M in cash on completion and a cash earn out over 2 years anticipated to be circa £2.7M.

**Report of the Directors (continued)**

**Statement as to disclosure of information to auditor**

Each of the Directors at the time when this report is approved has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director in order to make themselves aware of any information needed by the Company's auditor in connection with preparing the audit report and to establish that the Company's auditor is aware of that information.

**Auditors**

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be made at the Company's next annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board

D G E Stanley  
Director

Date: 30 September 2011

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the annual 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 group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the 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 requirements of 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.

#### **Website publication**

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**Independent auditor's report to the shareholders of COBRA Holdings PLC**

We have audited the financial statements of COBRA Holdings PLC for the year ended 31 March 2011 which comprise which comprise the consolidated statement of comprehensive income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flow, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

**Respective responsibilities of Directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the shareholders of COBRA Holdings PLC (continued)**

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Peter Chidgey (senior statutory auditor)  
For and behalf of BDO LLP, statutory auditor  
Chartered Accountants and Registered Auditors  
55 Baker Street  
London  
W1U 7EU

Date: 30 September 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number 00305127)

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 March 2011**

	Note	2011 £	2010 £
<b>Revenue</b>	3		
Commissions		23,023,339	21,263,751
Interest and investment income	8	14,210	24,489
Other income	4	-	1,390,954
		23,037,549	22,679,194
Staff costs	6	(12,205,195)	(11,872,434)
Property costs		(1,339,244)	(1,299,191)
Other operating costs		(7,077,586)	(6,328,998)
		(20,622,025)	(19,500,623)
<b>Adjusted EBITDA *</b>		<b>2,415,524</b>	<b>3,178,571</b>
Share based payment expenses	28	(26,974)	(127,073)
Depreciation of property, plant and equipment		(393,135)	(402,170)
Amortisation of intangible assets		(674,579)	(662,689)
Impairment of goodwill	13	(1,496,000)	-
<b>Operating (loss) / profit</b>		<b>(175,164)</b>	<b>1,986,639</b>
Finance costs	9	(1,569,242)	(1,594,652)
<b>(Loss) / profit before tax</b>	5	<b>(1,744,406)</b>	<b>391,987</b>
Income tax expense	10	(155,229)	(199,457)
<b>(Loss) / profit for the year and total comprehensive income</b>		<b>(1,899,635)</b>	<b>192,530</b>
<b>(Loss) / Earnings per share</b>			
Basic	21b	(4.50)p	0.46p
Diluted	21b	(4.50)p	0.33p

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

The notes on pages 19 to 53 form part of these financial statements.

All amounts relate to continuing activities.

**Consolidated Statement of Financial Position  
As at 31 March 2011**

		<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	<b>Notes</b>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	2,116,059	2,174,870
Investments	12	30,707	52,925
Goodwill and other intangibles	13	<u>22,680,954</u>	<u>24,716,993</u>
		<u>24,827,720</u>	<u>26,944,788</u>
<b>Current assets</b>			
Trade and other receivables	14	4,338,149	4,501,900
Cash and cash equivalents	15	<u>7,636,756</u>	<u>8,643,557</u>
		<u>11,974,905</u>	<u>13,145,457</u>
<b>Total assets</b>		<b><u>36,802,625</u></b>	<b><u>40,090,245</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	17	11,894,412	13,467,882
Other liabilities	18	335,000	335,000
Deferred tax	20	<u>1,313,277</u>	<u>1,420,465</u>
		<u>13,542,689</u>	<u>15,223,347</u>
<b>Current liabilities</b>			
Borrowings	17	3,138,696	2,599,590
Current tax payable		241,292	197,566
Trade and other payables	16	9,210,840	9,714,894
Other liabilities	18	<u>1,088,359</u>	<u>974,903</u>
		<u>13,679,187</u>	<u>13,486,953</u>
<b>Total liabilities</b>		<b><u>27,221,876</u></b>	<b><u>28,710,300</u></b>
<b>Equity</b>			
Share capital	21	10,560,831	10,524,053
Convertible debt	17	382,749	382,749
Share premium	21	4,124,919	4,088,232
Acquisition reserve	29	(3,946,723)	(3,946,723)
Retained earnings		<u>(1,541,027)</u>	<u>331,634</u>
<b>Total equity</b>		<b><u>9,580,749</u></b>	<b><u>11,379,945</u></b>
<b>Total equity and liabilities</b>		<b><u>36,802,625</u></b>	<b><u>40,090,245</u></b>

The notes on pages 19 to 53 form part of these financial statements.

The financial statements on pages 13 to 53 were approved by the Board of Directors and authorised for issue on 30 September 2011 and signed on its behalf by:

D G E Stanley  
Director

**Company Statement of Financial Position  
As at 31 March 2011**

		<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	<b>Notes</b>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	144,069	203,583
Investments	12	31,370,156	32,731,615
Deferred tax		-	-
		<u>31,514,225</u>	<u>32,935,198</u>
<b>Current assets</b>			
Trade and other receivables	14	5,119,260	4,042,787
Cash and cash equivalents	15	103,868	222,875
		<u>5,223,128</u>	<u>4,265,662</u>
<b>Total assets</b>		<u><b>36,737,353</b></u>	<u><b>37,200,860</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	17	11,200,556	12,629,860
Other liabilities	18	335,000	335,000
Deferred tax	20	2,963	13,475
		<u>11,538,519</u>	<u>12,978,335</u>
<b>Current liabilities</b>			
Borrowings	17	2,039,438	1,523,255
Current tax payable		7,875	-
Trade and other payables	16	3,372,012	9,874,112
Other liabilities	18	1,088,359	974,903
		<u>6,507,684</u>	<u>12,372,270</u>
<b>Total liabilities</b>		<u>18,046,203</u>	<u>25,350,605</u>
<b>Equity</b>			
Share capital	21	10,560,831	10,524,053
Convertible debt	17	382,749	382,749
Share premium	21	4,124,919	4,088,232
Retained earnings		3,622,651	(3,144,779)
<b>Total equity</b>		<u>18,691,150</u>	<u>11,850,255</u>
<b>Total equity and liabilities</b>		<u><b>36,737,353</b></u>	<u><b>37,200,860</b></u>

The notes on pages 19 to 53 form part of these financial statements.

The financial statements on pages 13 to 53 were approved by the Board of Directors and authorised for issue on 30 September 2011 and signed on its behalf by:

D G E Stanley  
Director

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 March 2011**

	Share capital £	Convertible debt £	Share premium £	Acquisition reserve £	Retained earnings £	Total £
<b>At 1 April 2009</b>	<b>10,524,053</b>	<b>332,593</b>	<b>4,088,232</b>	<b>(3,946,723)</b>	<b>12,031</b>	<b>11,010,186</b>
<b>Changes in equity</b>						
Total comprehensive income for the year	-	-	-	-	192,530	192,530
Total comprehensive income	-	-	-	-	192,530	192,530
Convertible debt	-	50,156	-	-	-	50,156
Share based payment	-	-	-	-	127,073	127,073
<b>At 31 March 2010</b>	<b>10,524,053</b>	<b>382,749</b>	<b>4,088,232</b>	<b>(3,946,723)</b>	<b>331,634</b>	<b>11,379,945</b>
<b>Changes in equity</b>						
Total comprehensive income for the year	-	-	-	-	(1,899,635)	(1,899,635)
Total comprehensive income	-	-	-	-	(1,899,635)	(1,899,635)
Shares issued	36,778	-	-	-	-	36,778
Share premium	-	-	36,687	-	-	36,687
Share based payment	-	-	-	-	26,974	26,974
<b>At 31 March 2011</b>	<b>10,560,831</b>	<b>382,749</b>	<b>4,124,919</b>	<b>(3,946,723)</b>	<b>(1,541,027)</b>	<b>9,580,749</b>

The notes on pages 19 to 53 form part of these financial statements.

**Company Statement of Changes in Equity**  
**For the year ended 31 March 2011**

	Share capital £	Convertible debt £	Share premium £	Retained earnings £	Total £
<b>At 1 April 2009</b>	<b>10,524,053</b>	<b>332,593</b>	<b>4,088,232</b>	<b>(1,789,852)</b>	<b>13,155,026</b>
<b>Changes in equity</b>					
Total comprehensive income for the year	-	-	-	(1,482,006)	<b>(1,482,006)</b>
Convertible debt	-	50,156	-	-	<b>50,156</b>
Share based payment	-	-	-	127,079	<b>127,079</b>
<b>At 31 March 2010</b>	<b>10,524,053</b>	<b>382,749</b>	<b>4,088,232</b>	<b>(3,144,779)</b>	<b>11,850,255</b>
<b>Changes in equity</b>					
Total comprehensive income for the year	-	-	-	6,740,454	<b>6,740,454</b>
Shares issued	36,778	-	-	-	<b>36,778</b>
Share premium	-	-	36,687	-	<b>36,687</b>
Share based payment	-	-	-	26,976	<b>26,976</b>
<b>At 31 March 2011</b>	<b>10,560,831</b>	<b>382,749</b>	<b>4,124,919</b>	<b>3,622,651</b>	<b>18,691,150</b>

The notes on pages 19 to 53 form part of these financial statements.

**Consolidated Statement of Cash Flow**

	Consolidated		Company	
	2011 £	2010 £	2011 £	2010 £
<b>Cash generated from operations</b>				
Profit before taxation	(1,744,413)	391,986	(2,529,884)	(1,479,206)
Depreciation of property, plant & equipment	393,135	402,170	62,993	56,345
Amortisation of customer relationships	674,579	662,689	-	-
Impairment of goodwill	1,496,000	-	1,496,000	-
(Profit) / loss on disposal of fixed assets	(43,964)	(8,423)	-	10,626
Write-down of listed investments	21,098	-	-	-
Share based payment expense	26,974	127,073	26,974	127,073
Finance expense on other financial liabilities	86,150	117,229	43,187	56,918
Finance expense on deferred consideration	30,957	112,047	30,957	112,047
Finance expense on loan notes	122,335	114,332	122,335	114,332
Finance expense on convertible debt	100,472	84,720	100,472	84,720
Other finance costs	1,229,328	1,166,320	1,144,106	1,053,127
Changes in working capital net of effect of acquisitions:				
Trade and other receivables	163,746	355,949	(1,076,472)	(852,347)
Trade and other payables	(486,459)	(2,216,258)	2,792,138	2,564,814
	<u>2,069,938</u>	<u>1,309,834</u>	<u>2,212,806</u>	<u>1,848,449</u>
<b>Cash inflows from operating activities</b>				
Cash generated from operations	2,069,938	1,309,834	2,212,806	1,848,449
Income taxes paid	(214,032)	(585,109)	-	-
Finance costs	(1,229,328)	(1,166,320)	(1,144,106)	(1,053,127)
<b>Net cash generated from operating activities</b>	<u>626,578</u>	<u>(441,595)</u>	<u>1,068,700</u>	<u>795,322</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant & equipment	(52,174)	(132,049)	(3,479)	(17,613)
Proceeds from disposal of property, plant & equipment	33,713	16,537	-	-
Acquisition of subsidiaries, net of cash acquired (note 25)	(5,111)	(45,685)	(5,111)	(45,685)
Deferred consideration on acquisitions	-	(1,894,066)	-	(1,894,066)
<b>Net cash outflows from investing activities</b>	<u>(23,572)</u>	<u>(2,055,263)</u>	<u>(8,590)</u>	<u>(1,957,364)</u>
<b>Cash flows from financing activities</b>				
Proceeds from long term borrowings	-	1,000,000	-	1,000,000
(Decrease) / increase in bank overdrafts	-	(57,464)	-	-
Payment of finance lease liabilities	(255,062)	(194,198)	(63,442)	(66,231)
Payment of loan notes	(280,000)	(347,334)	(280,000)	(347,334)
Payment of long term borrowings	(1,074,745)	(1,270,908)	(835,675)	(835,772)
<b>Net cash inflows from financing activities</b>	<u>(1,609,807)</u>	<u>(869,904)</u>	<u>(1,179,117)</u>	<u>(249,337)</u>
<b>(Decrease) / increase in cash &amp; cash equivalents</b>	(1,006,801)	(3,366,762)	(119,007)	(1,411,379)
Cash & cash equivalents at beginning of year	8,643,557	12,010,319	222,875	1,634,254
<b>Cash &amp; cash equivalents at end of the year</b>	<u>7,636,756</u>	<u>8,643,557</u>	<u>103,868</u>	<u>222,875</u>

The principal non-cash transactions are the issue of shares in consideration for acquisitions as set out in note 24.

The notes on pages 19 to 53 form part of these financial statements.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**1. Accounting policies and presentation of annual financial statements**

**Basis of preparation**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated. The Company is a public limited liability Company and is incorporated and domiciled in England and Wales. Items included in these financial statements are presented and measured in Sterling being the functional currency of the primary economic environment in which the Company operates.

**Basis of accounting**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted for use in the European Union, the AIM rules and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRSs.

**Going concern basis of accounting**

The Group has significant obligations in the form of debt finance and deferred consideration outstanding in relation to previous acquisitions. The Group manages those obligations by a combination of servicing debt in accordance with contractual obligations, re-financing as required and negotiating the deferral of obligations if required by short term cash flow constraints or if it is beneficial to the Group to do so.

At the date of approval of the financial statements, contracts have been signed for the sale of the business and certain fixed assets of the Group's insurance broking operations in Caterham and Alton as detailed in note 30. Cash consideration comprising £5.49 million is due on completion in November 2011 and circa £2.7 million is due over a two year earn out period.

The Directors have prepared forecasts for a period of at least twelve months from the date of approval of the financial statements which include the disposal proceeds outlined above and are satisfied that the Group can meet all its obligations or be re-financed.

The Group actively manages its working capital finance to ensure the Group has sufficient funds for operations.

For these reasons the Directors believe that it remains appropriate to prepare the financial statements on the going concern basis.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**Basis of consolidation**

The consolidated financial statements of the Group comprise the financial statements of COBRA Holdings PLC and its subsidiaries as at 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

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

For business combinations prior to 1 April 2010, 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. 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.

**Company Statement of Comprehensive Income**

In accordance with Section 408 of the Companies Act 2006, the Company has elected not to publish a Company statement of comprehensive income. The profit for the Company in the year is £6,740,454 (2010: loss £1,482,006).

**Functional currency and foreign exchange**

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement

**Significant judgements and estimates**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. The principal areas in which estimates are applied are as follows:

- Recoverability of trade receivables (note 14)
- Estimation of the useful lives of intangible assets and property, plant and equipment (notes 11 & 13)
- Quantification of the fair value of contingent deferred consideration (note 18)
- Valuation of share based payments (note 28)

The principal areas in which judgement is applied are as follows:

- Identification and quantification of impairment of goodwill (note 13)

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**1. Accounting policies and presentation of annual financial statements (continued)**

**Revenue**

The Group generates revenue from commission and fees associated with the placement of reinsurance and insurance contracts and policies and related activities, together with the placement of financial service products.

In respect of insurance broking, income is recognised for commission income on policy inception. Alterations in commission arising from premium adjustments are taken into account as and when such adjustments are notified.

In respect of financial services, commissions are recognised on the date on which the application is completed and accepted and renewals are recognised on their renewal date.

Other fees and other income receivable, including profit share and commission overrides, are recognised in the period to which they relate and when they can be measured with reasonable certainty, and all servicing obligations have been met.

**Interest income**

Interest income on fiduciary cash balances held are credited to revenue on an accruals basis, subject to the terms of business agreed with the client. As interest income forms an integral part of the Group's operating activities it is included in revenue.

**Adjusted EBITDA**

Adjusted EBITDA is earnings before finance costs, share option charges, tax, amortisation and depreciation.

**Goodwill and intangible assets**

Goodwill is initially recorded at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any related goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent year.

In the opinion of the Directors, specific intangible assets comprising customer relationships met the criteria for separate recognition arising on business combinations in the year and these are disclosed in note 13. Customer relationships are amortised over their expected useful lives on a straight line basis. The current estimated economic lives used are 10 years.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**1. Accounting policies and presentation of annual financial statements (continued)**

**Impairment of assets (excluding goodwill)**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss which is recognised in profit or loss.

Where a past impairment no longer exists or has been reduced, a reversal of that impairment less accumulated depreciation or amortisation which would otherwise have been charged is recognised immediately in profit or loss.

**Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefit associated with the item will flow to the company; and
- the cost of the item can be reliably measured.

Cost includes costs incurred to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replacement part is derecognised.

Property, plant and equipment are stated at cost less accumulated depreciation.

**Depreciation of property, plant and equipment**

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment evenly over their expected lives. It is calculated at the following rates:

Freehold land	Not depreciated
Freehold buildings	1-2% on cost
Leasehold property improvements	Term of the lease
Fixtures and fittings and computer equipment	33% on cost
Motor vehicles	20% on cost

**Assets under finance leases**

Where assets are financed by leasing agreements that give rights approximate to ownership (finance leases), the assets are treated as if they were purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement. Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the statement of comprehensive income using the effective interest method.

**Operating leases**

Leases other than finance leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

All incentives for the agreement of a new or renewed operating lease are recognised as part of net consideration, irrespective of nature, or form, or timing of payments. The aggregate benefit of any incentive is generally recognised as a reduction of rental expense over the lease term, on a straight-line basis.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**1. Accounting policies and presentation of annual financial statements (continued)**

**Taxation**

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. The current income tax charge is calculated on the basis of the tax rates and tax laws enacted or substantively enacted at the statement of financial position.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment and the amortisation of customer relationships. The rates enacted or substantively enacted at the balance sheet date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**Retirement benefit costs**

Pension scheme contributions to the Group's money purchase schemes are charged to the statement of comprehensive income in the year to which they relate.

**Provisions**

The Group does not issue contracts with insurance risk. However, in the normal course of its business a number of the Group's subsidiaries provide advice and assistance to third parties in arranging insurance and other financial services contracts. In common with comparable businesses the Group is, from time to time, involved in disputes arising from advice given which may give rise to claims. Provision is made in the financial statements for all claims where costs are likely to be incurred and represents the cost of defending and concluding claims. The Group maintains professional indemnity insurance at an appropriate level in relation to possible claims.

**Dividends**

*Income*

Dividend income is recognised when the right to receive payment is established.

*Distribution*

Dividends are recognised as a liability and a deduction from equity in the period in which they have been declared and approved by the Company's shareholders. Interim dividends are recognised as a deduction from equity in the period in which they are paid.

**Financial instruments**

**a) Cash and cash equivalents**

Cash and cash equivalents are measured at fair value and comprise cash balances, cash deposits and cash on call. Included within cash and cash equivalents is fiduciary cash held on behalf of clients or insurers.

**b) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment.

**c) Trade and other payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not yet billed to the Company. The amounts are unsecured, non-interest bearing, are normally settled within 60 days and are stated at cost. Trade payables are recognised initially at fair value and subsequently at amortised cost.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**1. Accounting policies and presentation of annual financial statements (continued)**

**Financial instruments (continued)**

**d) Insurance receivables and payables**

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, receivables from insurance broking transactions are netted off against insurance payables in the financial statements and are not included as an asset of the Group. In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the consolidated statement of financial position as part of trade receivables.

**Long term liabilities**

**a) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

**b) Loan notes**

Loan notes are initially recognised at fair value, net of transaction costs incurred. Loan notes are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period until redemption using the effective interest rate method.

**c) Fair value of financial instruments**

The Group uses its judgement, based on the market conditions at each balance sheet date, to select the method and assumptions for determining the fair value of financial instruments that are not traded on an active market. Due to their short maturities, the carrying amounts of certain of the Group's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, approximate to their fair value, based on borrowing rates currently available to the Group.

**d) Convertible debt**

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost. The difference between the fair value of the convertible debt instrument as a whole and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt elements are credited to share capital, share premium and retained earnings as appropriate.

**Share capital**

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's preference shares include a contractual obligation on the Company to deliver cash in the form of the annual preference dividend and, in the absence of any other terms that would indicate an equity element, have been classified wholly as a financial liability. The Group's ordinary shares are classified as equity instruments. The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**1. Accounting policies and presentation of annual financial statements (continued)**

**Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating decision maker. The Chief Operating decision maker has been identified as the Group's board of directors. The Group operates wholly in the UK but provides intermediary services to clients outside the UK.

**Share based payments**

The cost of awards to employees that take the form of shares or rights to shares is measured at the fair value of the equity instrument awarded at the date of grant, and is recognised in the statement of comprehensive income over the vesting period of the award, with a corresponding increase in equity.

The fair value of share options awarded is calculated using the Black-Scholes pricing model.

**Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provisions for impairment in the financial statements of the Company. Dividends are accounted for when the Company becomes entitled to receive them. On the disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

**New IFRSs, interpretations and amendments not yet effective**

None of the new standards, interpretations or amendments, which are effective for the first time in these financial statements has had a material impact on the financial statements.

None of the new standards, interpretations or amendments, but not yet effective are expected to have a material impact on the group's future financial statements.

**2. Operating Segments**

***Business segments***

Based on risks and returns, the Group's board of directors acting as the Chief Operating decision maker, considers that the Group business segments during the year ended 31 March 2011 were as follows:

- Retail insurance (comprising all subsidiary companies apart from those specifically mentioned below)
- Provision of independent financial advice (comprising COBRA Financial Services Limited)
- Wholesale insurance (comprising COBRA London Markets Limited)
- Underwriting agency activity (comprising COBRA Underwriting Agencies Limited)
- Network (comprising COBRA Network Limited)

Notes to the consolidated financial statements for the year ended 31 March 2011

2. Operating Segments (continued)

*Business segments (continued)*

31 March 2011	Retail insurance £	Financial advice £	Wholesale insurance £	Underwriting agency activity £	Network £	Total £
Revenue from external customers	9,151,565	1,877,324	4,176,770	5,027,966	2,728,797	<b>22,962,422</b>
Intersegment revenues	1,074,491	-	-	-	313,489	<b>1,387,980</b>
Interest expense	58,038	9,961	7,531	46,679	3,819	<b>126,028</b>
Depreciation and amortisation	637,272	68,817	66,200	200,938	17,524	<b>990,751</b>
Impairment of goodwill	1,287,000	209,000	-	-	-	<b>1,496,000</b>
Reportable segment profit for the year	(514,095)	(231,797)	151,757	572,598	434,318	<b>412,781</b>
Reportable segment assets	22,873,999	1,809,611	5,656,677	5,093,227	867,405	<b>36,300,919</b>
Reportable segment liabilities	5,406,617	264,803	2,135,160	2,717,840	745,985	<b>11,270,405</b>
Additions to non-current assets	355,196	27,077	19,942	49,757	909	<b>452,881</b>
<b>Revenues</b>					<b>£</b>	<b>£</b>
Total revenue for reportable segments						22,962,422
Interest income					57,247	
Release of accrued income relating to insurer liabilities					-	
Other					17,880	75,127
<b>Entity's revenue</b>						<b>23,037,549</b>
<b>Profit or loss</b>						<b>£</b>
Total profit or loss for reportable segments						412,781
Head office operating costs						(2,312,416)
<b>Entity's profit</b>						<b>(1,899,635)</b>
<b>Assets</b>					<b>£</b>	<b>£</b>
Total assets for reportable segments						36,300,919
Head office assets					152,881	
		Property, plant & equipment			141,253	
		Cash and cash equivalents			207,572	501,706
		Trade and other receivables				
<b>Entity's assets</b>						<b>36,802,625</b>
<b>Liabilities</b>					<b>£</b>	<b>£</b>
Total liabilities for reportable segments						11,270,405
Head office liabilities					2,543	
		Deferred tax			7,875	
		Current tax payable			2,574,438	
		Current borrowings			11,200,556	
		Non-current borrowings			335,000	
		Other non-current liabilities			1,088,359	
		Other liabilities			742,700	15,951,471
		Trade and other payables				
<b>Entity's liabilities</b>						<b>27,221,876</b>
<b>Other material items</b>				<b>Reportable segment total</b>	<b>Head office expenses</b>	<b>Total</b>
				<b>£</b>	<b>£</b>	<b>£</b>
Interest expense				126,028	1,443,214	<b>1,569,242</b>
Depreciation and amortisation				990,751	76,963	<b>1,067,714</b>
Goodwill impairment loss				1,496,000	-	<b>1,496,000</b>
Additions to non-current assets				452,881	6,046	<b>458,927</b>

Head office assets, liabilities and expenses represent group support/services provided to subsidiary undertakings.

Notes to the consolidated financial statements for the year ended 31 March 2011

2. Operating segments (continued)

31 March 2010	Retail insurance	Financial advice	Wholesale insurance	Underwriting agency activity	Network	Total
	£	£	£	£	£	£
Revenue from external customers	8,799,353	1,710,944	4,832,742	4,447,392	2,736,963	22,527,394
Intersegment revenues	880,993	-	-	22,664	46,500	950,157
Interest expense	72,411	11,967	10,262	64,130	10,919	169,689
Depreciation and amortisation	631,255	71,683	67,820	184,418	31,962	987,138
Reportable segment profit for the year	250,382	33,623	1,518,070	363,407	254,668	2,420,150
Reportable segment assets	24,233,835	2,061,167	7,421,785	4,935,008	713,237	39,365,032
Reportable segment liabilities	5,024,472	264,195	3,316,276	2,767,944	620,679	11,993,566
Additions to non-current assets	57,896	3,895	38,783	35,311	23,036	158,921
<b>Revenues</b>					<b>£</b>	<b>£</b>
Total revenue for reportable segments						22,527,394
Interest income					57,247	
Release of accrued income relating to insurer liabilities					79,998	
Other					14,555	151,800
<b>Entity's revenue</b>						<b>22,679,194</b>
<b>Profit or loss</b>						<b>£</b>
Total profit or loss for reportable segments						2,420,150
Head office operating costs						(2,227,620)
<b>Entity's profit</b>						<b>192,530</b>
<b>Assets</b>					<b>£</b>	<b>£</b>
Total assets for reportable segments						39,365,032
Head office assets						
Property, plant & equipment					249,207	
Cash and cash equivalents					223,264	
Trade and other receivables					252,742	725,213
<b>Entity's assets</b>						<b>40,090,245</b>
<b>Liabilities</b>					<b>£</b>	<b>£</b>
Total liabilities for reportable segments						11,993,566
Head office liabilities						
Deferred tax					8,523	
Current borrowings					2,097,012	
Non-current borrowings					12,629,860	
Other non-current liabilities					335,000	
Other liabilities					974,903	
Trade and other payables					671,436	16,716,734
<b>Entity's liabilities</b>						<b>28,710,300</b>
<b>Other material items</b>				<b>Reportable segment total</b>	<b>Head office expenses</b>	<b>Total</b>
				£	£	£
Interest expense				169,689	1,424,963	1,594,652
Depreciation and amortisation				987,138	77,721	1,064,859
Additions to non-current assets				158,921	72,629	231,550

Head office assets, liabilities and expenses represent group support/services provided to subsidiary undertakings.

Notes to the consolidated financial statements for the year ended 31 March 2011

3. Revenue

The revenue and profit before tax are attributable to the principal activities of the Group. Operating segmental reporting is disclosed in note 2.

4. Other income

	2011 £	2010 £
Credit write backs	-	1,390,954
	<u>-</u>	<u>1,390,954</u>

Prior year credit write backs represent an adjustment for legacy balances and redundant entries processed in accordance with the Financial Services Authority's criteria.

5. Profit before tax

	2011 £	2010 £
Loss / (profit) before tax is stated after charging:		
Depreciation of property, plant and equipment	393,135	402,170
Amortisation of intangibles	674,579	662,689
Operating lease costs – land and buildings	959,762	900,006
Foreign exchange (gain) / loss	77,428	(170,330)
Staff costs (note 6)	12,205,195	11,872,434
Auditor's remuneration (note 7)	218,096	407,627
	<u>218,096</u>	<u>407,627</u>

6. Particulars of employees

The monthly average number of employees, including executive Directors, employed in the Group during the financial year amounted to:

	2011 No.	2010 No.
Number of staff	<u>272</u>	<u>274</u>
The aggregate payroll costs of the		
Wages and salaries	10,230,768	10,068,598
Social security costs	1,142,130	1,088,998
Benefits in kind	200,906	189,499
Other pension costs	631,391	525,339
	<u>12,205,195</u>	<u>11,872,434</u>

The share based payment expense was £26,974 (2010: £127,073) and is described in note 28.

The remuneration of key management and Directors is disclosed in note 22.

Included in legal and professional fees, £40,400 relates to costs paid to a third party in respect of services provided by S M Bullock.

Notes to the consolidated financial statements for the year ended 31 March 2011

7. Auditor's remuneration

	2011 £	2010 £
Fees payable to the Group's auditor for the audit of the Group's financial statements	21,185	41,255
Fees payable to the Group's auditor and its associates for other services:		
Audit of the Group's subsidiaries	169,541	187,560
Tax services	21,809	32,947
Other services	5,561	7,397
Additional fees on previous audits	-	138,468
<b>Total auditor remuneration</b>	<b><u>218,096</u></b>	<b><u>407,627</u></b>

8. Interest and investment Income

	2011 £	2010 £
Interest receivable	<u>14,210</u>	<u>24,489</u>
	<b><u>14,210</u></b>	<b><u>24,489</u></b>

9. Finance costs

	2011 £	2010 £
Finance lease interest	42,883	48,431
Interest expense:		
Interest expense on debt finance	1,139,482	1,042,621
Finance expense on financial liabilities measured at amortised cost	86,150	117,229
Finance expense on deferred consideration	30,957	112,047
Finance expense on loan notes measured at amortised cost	122,335	114,332
Finance expense on convertible loan notes	100,472	84,720
Bank charges	46,963	75,272
	<b><u>1,569,242</u></b>	<b><u>1,594,652</u></b>

Notes to the consolidated financial statements for the year ended 31 March 2011

10. Taxation

	2011 £	2010 £
<b>Major components of the tax expense / credit:</b>		
Income tax expense - current year	200,654	347,921
(Over) / under provision in prior year	(9,692)	4,586
<b>Tax expense - current year</b>	<b><u>190,962</u></b>	<b><u>352,507</u></b>
Deferred tax - current year (note 20)	(107,188)	(165,672)
Over provision in prior year	71,455	12,652
<b>Deferred tax credit - current year</b>	<b><u>(35,733)</u></b>	<b><u>(153,050)</u></b>
<b>Income tax expense</b>	<b><u><u>155,229</u></u></b>	<b><u><u>199,457</u></u></b>

Taxation differs from the standard rate of corporation tax of 21% (2010: 28%) in the UK as applied to the profits as explained below:

<b>(Loss) / profit before tax</b>	<b><u>(1,744,406)</u></b>	<b><u>391,987</u></b>
(Loss) / profit multiplied by effective rate of tax of 21%	(366,325)	109,756
<b>Effects of:</b>		
Expenses not deducted for tax purposes	428,974	166,443
Adjustments in respect of prior year	89,004	17,238
Change in rate	7,758	-
Losses utilised	(4,182)	(93,980)
	<b><u>521,554</u></b>	<b><u>89,701</u></b>
<b>Income tax expense</b>	<b><u><u>155,229</u></u></b>	<b><u><u>199,457</u></u></b>

Notes to the consolidated financial statements for the year ended 31 March 2011

11. Property, plant and equipment

Group	Freehold property	Leasehold property improvements	Fixtures, fittings & computer equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost:</b>					
At 1 April 2010	1,328,318	61,890	1,039,592	503,411	2,933,211
Additions during the year	-	4,000	56,388	398,539	458,927
Disposals during the year	-	-	(76,153)	(344,934)	(421,087)
<b>At 31 March 2011</b>	<b>1,328,318</b>	<b>65,890</b>	<b>1,019,827</b>	<b>557,016</b>	<b>2,971,051</b>
<b>Depreciation:</b>					
At 1 April 2010	26,566	29,012	522,148	180,615	758,341
Charge for the year	34,882	-	200,397	157,856	393,135
Disposals for the year	-	-	(62,027)	(234,457)	(296,484)
<b>At 31 March 2011</b>	<b>61,448</b>	<b>29,012</b>	<b>660,518</b>	<b>104,014</b>	<b>854,992</b>
<b>Net book value at 31 March 2011</b>	<b>1,266,870</b>	<b>36,878</b>	<b>359,309</b>	<b>453,002</b>	<b>2,116,059</b>

Included within the net book values are amounts of £481,801 (2010: £473,627) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £131,415 (2010: £214,200).

Property pledged as security for bank borrowings is set out in note 17.

Group	Freehold property	Leasehold property improvements	Fixtures, fittings & computer equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost:</b>					
At 1 April 2009	1,328,318	61,890	1,034,301	685,026	3,109,535
Additions during the year	-	-	139,584	91,966	231,550
Disposals during the year	-	-	(134,293)	(273,581)	(407,874)
<b>At 31 March 2010</b>	<b>1,328,318</b>	<b>61,890</b>	<b>1,039,592</b>	<b>503,411</b>	<b>2,933,211</b>
<b>Depreciation:</b>					
At 1 April 2009	-	21,240	441,438	173,069	635,747
Charge for the year	26,566	7,772	203,069	164,763	402,170
Disposals for the year	-	-	(122,359)	(157,217)	(279,576)
<b>At 31 March 2010</b>	<b>26,566</b>	<b>29,012</b>	<b>522,148</b>	<b>180,615</b>	<b>758,341</b>
<b>Net book value at 31 March 2010</b>	<b>1,301,752</b>	<b>32,878</b>	<b>517,444</b>	<b>322,796</b>	<b>2,174,870</b>

Notes to the consolidated financial statements for the year ended 31 March 2011

11. Property, plant and equipment (continued)

Company	Leasehold property improvements	Fixtures, fittings & computer equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost:</b>				
At 1 April 2010	29,263	240,528	56,000	325,791
Additions during the year	-	3,479	-	3,479
Disposals during the year	-	-	-	-
<b>At 31 March 2011</b>	<b>29,263</b>	<b>244,007</b>	<b>56,000</b>	<b>329,270</b>
<b>Depreciation:</b>				
At 1 April 2010	13,336	103,287	5,585	122,208
Charge for the year	3,326	48,467	11,200	62,993
Disposals for the year	-	-	-	-
<b>At 31 March 2011</b>	<b>16,662</b>	<b>151,754</b>	<b>16,785</b>	<b>185,201</b>
<b>Net book value at 31 March 2011</b>	<b>12,601</b>	<b>92,253</b>	<b>39,215</b>	<b>144,069</b>

Included within the net book values are amounts of £39,215 (2010: £161,883) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £11,200 (2010: £43,277).

Company	Leasehold property improvements	Fixtures, fittings & computer equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost:</b>				
At 1 April 2009	29,263	228,061	44,895	302,219
Additions during the year	-	14,612	56,000	70,612
Disposals during the year	-	(2,145)	(44,895)	(47,040)
<b>At 31 March 2010</b>	<b>29,263</b>	<b>240,528</b>	<b>56,000</b>	<b>325,791</b>
<b>Depreciation:</b>				
At 1 April 2009	10,010	56,091	34,607	100,708
Charge for the year	3,326	47,431	5,585	56,342
Disposals for the year	-	(235)	(34,607)	(34,842)
<b>At 31 March 2010</b>	<b>13,336</b>	<b>103,287</b>	<b>5,585</b>	<b>122,208</b>
<b>Net book value at 31 March 2010</b>	<b>15,927</b>	<b>137,241</b>	<b>50,415</b>	<b>203,583</b>

Notes to the consolidated financial statements for the year ended 31 March 2011

12. Investments

Group	Other £	Total £
At 31 March 2010	52,925	<b>52,925</b>
Disposal of investment	(1,120)	<b>(1,120)</b>
Write-down of investments	<u>(21,098)</u>	<u><b>(21,098)</b></u>
At 31 March 2011	<u><u>30,707</u></u>	<u><u><b>30,707</b></u></u>

Company	Investments in subsidiaries £
At 31 March 2010	32,731,615
Additional costs incurred on prior year business combinations (see note 25)	134,541
Impairment of investments (see note 13)	<u>(1,496,000)</u>
<b>At 31 March 2011</b>	<u><u><b>31,370,156</b></u></u>
	Investments in subsidiaries £
At 31 March 2009	32,685,930
Addition on business combinations (see note 25)	<u>45,685</u>
<b>At 31 March 2010</b>	<u><u><b>32,731,615</b></u></u>

Details of subsidiary undertakings held at the year end are set out in note 26.

Notes to the consolidated financial statements for the year ended 31 March 2011

13. Goodwill and other intangibles

Group	Goodwill £	Customer relationships £	Software licenses £	Total £
<b>Cost:</b>				
At 1 April 2010	20,008,562	6,509,198	118,894	26,636,654
Additions on prior year business combinations	134,540	-	-	134,540
Additions during the year	-	-	-	-
<b>At 31 March 2011</b>	<b>20,143,102</b>	<b>6,509,198</b>	<b>118,894</b>	<b>26,771,194</b>
<b>Accumulated amortisation:</b>				
At 1 April 2010	-	1,907,772	11,889	1,919,661
Charge for the year	-	650,800	23,779	674,579
Impairment charge	1,496,000	-	-	1,496,000
<b>At 31 March 2011</b>	<b>1,496,000</b>	<b>2,558,572</b>	<b>35,668</b>	<b>4,090,240</b>
<b>Net book value at 31 March 2011</b>	<b>18,647,102</b>	<b>3,950,626</b>	<b>83,226</b>	<b>22,680,954</b>
<b>Group</b>	<b>Goodwill £</b>	<b>Customer relationships £</b>	<b>Software licenses £</b>	<b>Total £</b>
<b>Cost:</b>				
At 1 April 2009	19,962,877	6,509,198	-	26,472,075
Additions on prior year business combinations	45,685	-	-	45,685
Additions during the year	-	-	118,894	118,894
<b>At 31 March 2010</b>	<b>20,008,562</b>	<b>6,509,198</b>	<b>118,894</b>	<b>26,636,654</b>
<b>Accumulated amortisation:</b>				
At 1 April 2009	-	1,256,972	-	1,256,972
Charge for the year	-	650,800	11,889	662,689
<b>At 31 March 2010</b>	<b>-</b>	<b>1,907,772</b>	<b>11,889</b>	<b>1,919,661</b>
<b>Net book value at 31 March 2010</b>	<b>20,008,562</b>	<b>4,601,426</b>	<b>107,005</b>	<b>24,716,993</b>

Notes to the consolidated financial statements for the year ended 31 March 2011

13. Goodwill and other intangibles (continued)

*Goodwill (continued)*

**Goodwill**

During the year ended 31 March 2011, the Group assessed the recoverable amount of goodwill and determined that goodwill was impaired by £1,496,000.

Goodwill was allocated for impairment testing purposes to the following four cash generating units ("CGU"):

- Retail insurance (comprising COBRA Insurance Brokers Limited, COBRA Tubbs Batten Limited, COBRA UK & Ireland Limited, COBRA Giles (Alton) Limited, COBRA JK Lee Limited and Thornway Insurance Limited)
- Financial advice (comprising COBRA Financial Services Limited and OPAL Mortgage Life and Pensions Limited)
- Wholesale insurance (comprising COBRA London Markets Limited)
- Underwriting agency activity (comprising COBRA Underwriting Agencies Limited)

The impairment review for the Caterham and Alton operations within the retail insurance CGU was performed on the basis of fair value less costs to sell. Subsequent to the year end it was agreed to sell the business and certain fixed assets of the Caterham and Alton retail insurance operations (see note 30). Fair value has been assessed based upon this transaction which has resulted in an impairment of £1,174,000.

The recoverable amount for the remainder of the retail insurance CGU and all other CGUs has been determined on a value-in-use calculation using cash flow forecasts. The Group prepares cash flow forecasts for each CGU, based on the most recent financial budget approved by management and extrapolates cash flows for a period of ten years. Growth rates are based on actual growth rates achieved in similar businesses in the Group on a like for like basis and are adjusted to recognise local factors and current economic conditions. Earnings for each CGU are projected to grow at an average of 3% per annum over a ten year period. The growth rate and term reflects management's strategic plans for each CGU.

The cash flows were discounted at a pre-tax rate of 12.5% per cent per annum (2010: 8%), which is the weighted average cost of capital derived from the Group's current borrowing rate and commission payable on raising equity.

These cash flows indicate that the carrying value of the goodwill is higher than the expected future cash flows for the remaining locations in the retail CGU and the financial advice CGU. The retail insurance CGU has been impaired by £113,000 and the financial advice CGU has been impaired by £209,000.

Notes to the consolidated financial statements for the year ended 31 March 2011

13. Goodwill and other intangibles (continued)

**Sensitivities**

Sensitivity analysis has been undertaken on each goodwill impairment review by increasing the risk element of the discount rate and other applicable variables for each CGU.

Discount rates would have to be increased to 18% to cause impairment in underwriting agency activity CGU and to 19% to cause impairment in wholesale insurance CGU.

It was noted that reducing the annual growth rate to 0% did not cause the carrying value of the goodwill for the wholesale insurance CGU and underwriting agency activity CGU to be impaired.

The carrying amount of goodwill allocated to the CGU is as follows:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Retail insurance	13,279,921	14,432,381
Financial advice	1,247,720	1,456,720
Wholesale insurance	2,193,194	2,193,194
Underwriting agency activity	1,926,267	1,926,267
	<u><b>18,647,102</b></u>	<u><b>20,008,562</b></u>

***Customer relationships***

Customer relationships are being amortised over a period of 10 years and are assessed annually for impairment.

Notes to the consolidated financial statements for the year ended 31 March 2011

14. Trade and other receivables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade receivables	3,919,734	3,776,991	-	-
Amounts due from Group undertakings	-	-	4,921,028	3,810,373
Other receivables	418,415	724,909	198,232	232,414
	<u>4,338,149</u>	<u>4,501,900</u>	<u>5,119,260</u>	<u>4,042,787</u>

The Directors consider that the carrying value of trade and other receivables approximates their fair value.

15. Cash and cash equivalents

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Non-statutory trust accounts (client monies)	6,816,206	7,428,889	-	-
Cash at bank and in hand	820,550	1,214,668	103,868	222,875
	<u>7,636,756</u>	<u>8,643,557</u>	<u>103,868</u>	<u>222,875</u>

In accordance with the requirements of the Financial Services Authority, client money is held in separately designated Trust Accounts.

16. Trade and other payables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Deferred consideration	-	-	-	-
Trade payables	6,831,866	7,447,555	-	-
Amounts owed to Group undertakings	-	-	2,691,582	9,174,320
Other taxation and social security	318,797	270,487	15,002	17,478
Other payables	352,825	130,459	67,689	-
Accruals	1,707,352	1,866,393	597,739	682,314
	<u>9,210,840</u>	<u>9,714,894</u>	<u>3,372,012</u>	<u>9,874,112</u>

Included within trade payables is £6,816,206 relating to insurance broking payables (2010: £7,428,889).

To the extent that trade and other payables are not carried at fair value in the balance sheet, book value approximates to fair values at 31 March 2011 and 2010.

Notes to the consolidated financial statements for the year ended 31 March 2011

17. Borrowings

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
<b>Non-current</b>				
Bank borrowings	236,130	321,806	236,130	321,804
Financial institution borrowings	3,125,000	3,250,000	3,125,000	3,250,000
Loan notes	-	1,351,040	-	1,351,040
Convertible debt	6,654,065	6,553,593	6,654,065	6,553,593
Insurer liabilities	1,560,042	1,712,956	1,159,014	1,115,827
Finance lease obligations	319,175	278,487	26,347	37,596
	<b>11,894,412</b>	<b>13,467,882</b>	<b>11,200,556</b>	<b>12,629,860</b>
<b>Current</b>				
Bank borrowings	85,000	85,000	85,000	85,000
Financial institution borrowings	750,000	1,375,000	750,000	1,375,000
Loan notes	1,193,375	-	1,193,375	-
Insurer liabilities	360,000	360,000	-	-
Finance lease obligations	215,321	244,590	11,063	63,255
Preference shares	535,000	535,000	-	-
	<b>3,138,696</b>	<b>2,599,590</b>	<b>2,039,438</b>	<b>1,523,255</b>
<b>Total borrowings</b>	<b>15,033,108</b>	<b>16,067,472</b>	<b>13,239,994</b>	<b>14,153,115</b>

**Bank borrowings**

As at 31 March 2011 the Company had £321,130 (2010: £406,804) outstanding on a loan with Handelsbanken, repayable in quarterly instalments to October 2014. The loan is secured by way of a legal charge over the freehold property in the subsidiary COBRA UK & Ireland Limited and by a debenture and cross-guarantees on the same basis as the Financial institution borrowings below.

Interest is payable at 1.5% over LIBOR on the Handelsbanken loan.

The Directors consider that the difference between the fair value and the carrying value of borrowings is immaterial.

**Financial institution borrowings**

As at 31 March 2011 the Company had £3,875,000 (2010: £4,625,000) outstanding on a fixed-term loan from a major insurer, repayable in monthly instalments to April 2013. The loan is secured by a debenture from the Company (incorporating a fixed and floating charge) and debentures and cross-guarantees from the following subsidiaries:

COBRA Capital Release Limited	COBRA TB Limited
COBRA Corporate Solutions Limited	COBRA Tubbs Batten Limited
COBRA Giles (Alton) Limited	COBRA UK & Ireland Holdings Limited
COBRA Insurance Brokers Limited	COBRA UK & Ireland Limited
COBRA J.K Lee Limited	COBRA Underwriting Agencies Limited
COBRA Network Limited	OPAL Mortgage Life and Pensions Limited
COBRA Resource Management Limited	

Interest is payable at 2.5% over 1 month LIBOR on financial institution borrowings.

Notes to the consolidated financial statements for the year ended 31 March 2011

17. Borrowings (continued)

**Bank overdrafts**

As at 31 March 2011 the Group had undrawn facilities of £100,000 (2010: £100,000) on overdrafts with varying review dates within 1 year.

**Loan notes**

The loan notes were issued to the former owners of the subsidiary undertakings as part consideration for acquisitions and are unsecured and interest free. They are redeemable by the Company at any time prior to 31 January 2011, when repayment is due, except in certain circumstances such as default by the Company when the loan note holder can require redemption. See also note 26.

*Movement during the year:*

	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>
<b>At 31 March 2010</b>	<b>1,351,044</b>	<b>1,351,044</b>
Payment during the year	(280,004)	(280,004)
	<u>1,071,040</u>	<u>1,071,040</u>
Finance expense (note 9)	122,335	122,335
<b>At 31 March 2011</b>	<b><u>1,193,375</u></b>	<b><u>1,193,375</u></b>

**Convertible debt**

Repayable after more than five years from January 2009 is convertible debt with a carrying value of £6,654,065 (2010: £6,553,593) and a face value of £7,000,000 (2010 - £7,000,000). The holders of the convertible debt (note 26) have the option at any point before maturity to exchange debt with a face value of £7,000,000 for 14,000,000 £0.25 ordinary shares of the Company redeemable at £0.50 per ordinary share. The convertible debt is secured by way of a debenture and cross-guarantees on the same basis as the Financial institution borrowings above.

The coupon rate on the convertible loan notes is 12.5%.

*Movement during the year:*

	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>
<b>At 31 March 2010</b>	<b>6,553,593</b>	<b>6,553,593</b>
Finance expense (note 9)	100,472	100,472
<b>At 31 March 2011</b>	<b><u>6,654,065</u></b>	<b><u>6,654,065</u></b>

Notes to the consolidated financial statements for the year ended 31 March 2011

17. Borrowings (continued)

**Insurer liabilities**

As at 31 March 2011 the Company had £1,159,014 (2010: £1,115,827) outstanding on an unsecured interest free trading facility from a major insurer repayable through a reduced commission rate from the insurer until the earlier of the facility being fully repaid or 31 June 2012 at which point any outstanding balance is repayable.

In addition, as at 31 March 2011 COBRA Underwriting Agencies Limited had £761,028 (2010: £957,130) outstanding on an unsecured interest free trading facility from a major insurer repayable through a reduced commission rate from the insurer until the earlier of the facility being fully repaid or five years from July 2007 (date of advance) at which point any outstanding balance is repayable.

*Movement during the year:*

	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>
<b>At 31 March 2010</b>	<b>2,072,956</b>	<b>1,115,827</b>
Payments during the year	(239,064)	-
	<u>1,833,892</u>	<u>1,115,827</u>
Finance expense resulting from measurement at amortised cost	86,150	43,187
<b>At 31 March 2011</b>	<b><u>1,920,042</u></b>	<b><u>1,159,014</u></b>

**Finance lease obligations**

Details of finance lease obligations are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Amounts due:</b>				
No later than 1 year	251,411	277,935	12,698	66,659
Later than 1 year and no later than 5 years	<u>352,470</u>	<u>299,842</u>	<u>26,860</u>	<u>39,744</u>
	603,881	577,777	39,558	106,403
Future finance charges	<u>(69,385)</u>	<u>(54,700)</u>	<u>(2,148)</u>	<u>(5,552)</u>
<b>Present value of finance lease liabilities</b>	<b><u>534,496</u></b>	<b><u>523,077</u></b>	<b><u>37,410</u></b>	<b><u>100,851</u></b>
<b>Shown as:</b>				
Current liabilities - no later than 1 year	215,321	244,590	11,064	63,255
Non-current liabilities - later than 1 year and no later than 5 years	<u>319,175</u>	<u>278,487</u>	<u>26,346</u>	<u>37,596</u>
	<b><u>534,496</u></b>	<b><u>523,077</u></b>	<b><u>37,410</u></b>	<b><u>100,851</u></b>

There is no material difference between the total of the future minimum lease payments at the balance sheet date and their present values.

The Group leases the majority of its motor vehicles (net carrying value of £458,816) and computer equipment (net carrying value £22,985). Such assets are generally classified as finance leases as the rental period amounts to the estimated useful life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Notes to the consolidated financial statements for the year ended 31 March 2011

17. Borrowings (continued)

Preference shares

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
<b>Amounts due:</b>				
No later than 1 year	<u>535,000</u>	<u>535,000</u>	<u>-</u>	<u>-</u>

COBRA GAL (Holdings) Limited had £535,000 of preference shares carrying an annual coupon rate of 7% payable half yearly and accruing on a daily basis. The preference shares were redeemable at par in ten half yearly instalments from 30 November 2005. Each preference share carries one vote in the event of default on a preference dividend or default on redemption.

COBRA GAL (Holdings) Limited preference shares were all redeemable by 30 November 2009. The preference shares, as a result, have been recognised as a liability to the Group instead of equity.

As at 31 March 2011, the preference shares are yet to be redeemed, thus in accordance with the COBRA GAL (Holdings) Limited Articles of Association the redeemable preference shareholders are entitled to vote (each preference share having one vote on a poll) at all annual general and extraordinary general meetings of GAL (Holdings) Limited. This does not affect COBRA Holdings PLC's ability to control.

The Directors have valued the financial liabilities based on their fair values and subsequently carried at amortised cost.

18. Other liabilities

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
<b>Contingent deferred consideration:</b>				
Current – due within 1 year	1,088,359	974,903	1,005,859	974,903
Non-current – due later than 1 year	-	-	82,500	-
	<u>1,088,359</u>	<u>974,903</u>	<u>1,088,359</u>	<u>974,903</u>

*Movement during the year:*

	Group £	Company £
<b>At 31 March 2010</b>	974,903	974,903
Increase in contingent deferred consideration during the year	82,500	82,500
Unwinding of contingent deferred consideration during the year	30,956	30,956
<b>At 31 March 2011</b>	<u>1,088,359</u>	<u>1,088,359</u>

Contingent deferred consideration relates to deferred consideration for which the payments are dependent upon future performance. Deferred consideration is based upon best estimates of the performance of the underlying business.

The unwinding of the contingent deferred consideration has been included within finance costs.

**Non-contingent deferred consideration:**

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Non-current – due later than 1 year	<u>335,000</u>	<u>335,000</u>	<u>335,000</u>	<u>335,000</u>
	<u>335,000</u>	<u>335,000</u>	<u>335,000</u>	<u>335,000</u>

In February 2011, the vendors of Giles Alton agreed to defer £335,000 due until April 2012 (see note 24)

Notes to the consolidated financial statements for the year ended 31 March 2011

19. Commitments under operating leases

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £
<b>Operating leases payments:</b>				
Due within 1 year	559,177	62,954	414,496	71,517
Due between 1 year and 5 years	1,441,069	72,098	1,417,520	92,477
Due later than 5 years	-	-	67,925	-
	<u>2,000,246</u>	<u>135,052</u>	<u>1,899,941</u>	<u>163,994</u>

20. Deferred Taxation

Deferred taxation is calculated in full on temporary timing differences under the liability method and relates to accelerated capital allowances and temporary differences on customer relationships. The movement on the deferred taxation account is shown below:

	2011 £	2010 £
<b>At 1 April 2010</b>	<b>1,420,465</b>	<b>1,573,485</b>
Fair values of customer relationships	(136,668)	(182,224)
Fair values of property acquired on acquisition	(2,618)	(3,491)
Fair values of share based payments	5,664	7,933
Deferred tax (charge) / credit on profit / (loss) from continuing operations	26,434	12,110
	<u>(107,188)</u>	<u>(165,672)</u>
Adjustment in respect of prior year	-	12,652
<b>At 31 March 2011</b>	<b><u>1,313,277</u></b>	<b><u>1,420,465</u></b>
<b>Deferred tax included in the balance sheet comprises:</b>		
Plant and equipment related temporary differences	(11,999)	(24,561)
Deferred tax liability on customer relationships	1,151,721	1,288,389
Deferred tax liability on fair value of property acquired on acquisition	167,891	170,509
Deferred tax liability on fair value of share based payments	5,664	-
Other temporary differences	-	(13,872)
	<u>1,313,277</u>	<u>1,420,465</u>

Deferred tax on customer relationships expected to reverse in the year ended 31 March 2012 is £136,668.

Notes to the consolidated financial statements for the year ended 31 March 2011

21. Share capital and earnings/(loss) per share

Company	2011		2010	
	No.	£	No.	£
Authorised:				
Ordinary shares of £0.25 each	146,140,000	36,535,000	146,140,000	36,535,000
	<u>146,140,000</u>	<u>36,535,000</u>	<u>146,140,000</u>	<u>36,535,000</u>

Company	2011		2010	
	No.	£	No.	£
Allotted, called up and fully paid:				
£0.25 each at beginning of period	42,096,212	10,524,053	42,096,212	10,524,053
Issued in the year	147,112	36,778	-	-
At the end of year	<u>42,243,324</u>	<u>10,560,831</u>	<u>42,096,212</u>	<u>10,524,053</u>

As at 31 March 2011 the balance in the Company share premium account was £4,124,919 (2010: £4,088,232).

b) Earnings / (loss) per share

i) Basic

The Basic loss per share in the year ended 31 March 2011 is calculated by dividing the consolidated loss of £1,899,635 (2010: profit £192,530) attributable to equity holders in the Company by the weighted average number of ordinary shares in issue during the year of 42,181,461 (2010: 42,096,212).

ii) Diluted

Diluted loss per share is the same as basic loss per share.

2,455,000 options and 14,000,000 shares potentially arising from convertible debt are not dilutive as at 31 March 2011 but may be dilutive in future periods.

22. Directors' remuneration and key management

In respect of the Directors of COBRA Holdings PLC:

	2011	2010
	£	£
Salaries	468,970	409,901
Benefits in kind	22,020	17,279
Post employment benefits	30,000	20,000
<b>Directors' remuneration</b>	<b>520,990</b>	<b>447,180</b>
Social security costs	55,266	47,985
Share based payment	55,149	42,477
	<u>631,405</u>	<u>537,642</u>
Number of Directors to whom retirement benefits are accruing under money purchase scheme	<u>2</u>	<u>2</u>

The highest paid Director received emoluments of £205,832 excluding pension contributions (2010: £184,863). In addition, the Company made pension contributions of £10,000 for the highest paid Director (2010: £10,000).

Included in legal and professional fees, £40,400 relates to costs paid to a third party in respect of services provided by S M Bullock.

At 31 March 2011 the aggregate number of share options held by Directors of the Company was 800,000 (2010: 800,000).

Notes to the consolidated financial statements for the year ended 31 March 2011

23. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial instruments by category:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<b>Assets as per balance sheet:</b>				
Trade and other receivables	4,264,149	4,328,257	5,095,473	4,021,919
Amounts due from Group companies	-	-	4,921,028	3,810,373
<b>Total loans and receivables</b>	<b>4,264,149</b>	<b>4,328,257</b>	<b>10,016,501</b>	<b>7,832,292</b>
Investments available for sale	30,707	52,925	-	-
Cash and cash equivalents	7,636,756	8,643,557	103,868	222,875
	<b>11,931,612</b>	<b>13,024,739</b>	<b>10,120,369</b>	<b>8,055,167</b>

Other financial liabilities:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<b>Liabilities as per balance sheet:</b>				
Borrowings	15,033,108	16,067,472	13,239,994	14,153,115
Deferred consideration	335,000	335,000	-	-
Trade and other payables	8,892,043	9,444,407	3,357,010	9,856,634
<b>Total liabilities measured at amortised costs</b>	<b>24,260,151</b>	<b>25,846,879</b>	<b>16,597,004</b>	<b>24,009,749</b>

Trade and other receivables differ from those included in note 14 due to exclusion of prepayments of £74,000 (2010: £173,643).

*Financial risk management objectives and policies*

The Group's financial instruments, which are recognised in the balance sheet, comprise cash and cash equivalents, receivables and payables, borrowings, finance lease obligations and other financial liabilities. The accounting policies and methods adopted, including the basis of measurement applied are disclosed in note 1 above, where relevant. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes above, where applicable.

The Group does not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group has a risk management function which manages and continually monitors the financial risks relating to the Group's operations. The Group's senior management meets regularly to review and, if appropriate, approve the implementation of optimal strategies for effective management of financial risk.

There were no financial instruments not recognised in the balance sheet.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**23. Financial instruments (continued)**

**Interest rate risk**

The Group is exposed to interest rate risk as the Group borrows at both fixed (finance loans) and fluctuating (bank borrowings) interest rates. The Group has both interest bearing assets and interest bearing liabilities. The Group's primary interest rate risk relates to the bank borrowings and financial institution borrowings as disclosed in note 17. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings so that fluctuations in variable rates do not have a material impact on results.

**Interest rate sensitivity**

If interest rates had been 2% points higher/lower and all other variables were held constant, the impact on the Group's profit for the financial year would have been a decrease / increase in the profit of £230,712 (2010: £180,469) (Company: £268,604 (2010: £244,687)) which would have the same effect on equity after adjusting for tax.

**Liquidity risk**

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. In order to mitigate any liquidity risk that the Group may face, the Group's policy has been to maintain sufficient assets and liquid resources to ensure that adequate funds are available to cover its obligations. This is managed by continuously monitoring forecast and actual cashflows.

At 31 March 2011, the Group had cash and cash equivalents of £7,636,756 (2010: £8,643,557) of which £6,816,206 (2010: £7,428,889) relates to client monies held in non statutory trust. Included within the cash balance held are amounts placed on money markets with high credit rated banks for periods of up to a month at varying rates.

At 31 March 2011, the Company had cash and cash equivalents of £103,868 (2010: £222,875) of which £nil (2010: £nil) relates to client monies held in non statutory trust. Included within the cash balance held are amounts placed on money markets with high credit rated banks for periods of up to a month at varying rates.

Notes to the consolidated financial statements for the year ended 31 March 2011

23. Financial instruments (continued)

Liquidity risk (continued)

The table below analyses the maturity of the contractual undiscounted cashflows on financial liabilities where the carrying value differs from the contractual undiscounted cashflows.

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
<b>Non-current</b>				
Bank Borrowings: 1-2 years	85,000	85,000	85,000	85,000
Bank Borrowings: 2-5 years	151,130	236,806	151,130	236,804
	<u>236,130</u>	<u>321,806</u>	<u>236,130</u>	<u>321,804</u>
Deferred consideration: 1-2 years	335,000	335,000	335,000	335,000
Loan notes: 2-5 years	-	1,473,375	-	1,473,375
Convertible debt: 2-5 years	7,000,000	7,000,000	7,000,000	7,000,000
Financial institution borrowings: 1-2 years	750,000	1,500,000	750,000	1,500,000
Financial institution borrowings: 2-5 years	2,375,000	1,750,000	2,375,000	1,750,000
	<u>3,125,000</u>	<u>3,250,000</u>	<u>3,125,000</u>	<u>3,250,000</u>
Insurer liabilities: 1-2 years	360,000	360,000	-	-
Insurer liabilities: 2-5 years	1,273,381	1,512,446	1,200,001	1,200,000
	<u>1,633,381</u>	<u>1,872,446</u>	<u>1,200,001</u>	<u>1,200,000</u>
	<u><b>12,329,511</b></u>	<u><b>14,252,627</b></u>	<u><b>11,896,131</b></u>	<u><b>13,580,179</b></u>
<b>Current</b>				
Bank borrowings	85,000	85,000	85,000	85,000
Loan notes	1,193,375	-	1,193,375	-
Deferred consideration	1,088,359	1,005,860	1,088,359	1,005,860
Financial institution borrowings	750,000	1,375,000	750,000	1,375,000
Insurer liabilities	360,000	360,000	-	-
Preference shares	535,000	535,000	-	-
Trade payables	6,831,866	7,447,555	-	-
	<u>10,843,600</u>	<u>10,808,415</u>	<u>3,116,734</u>	<u>2,465,860</u>

Notes to the consolidated financial statements for the year ended 31 March 2011

23. Financial instruments (continued)

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Group's exposure to this risk is minimised by the nature of the agency relationships with Insurers, whereby the Group is not normally liable as principal for premiums due to underwriters or for claims payable to clients. The Group's residual exposure, comprising amounts due for commissions and amounts not covered by an agency relationship is further mitigated in that trade receivables consist of a large number of counterparties and in the case of Underwriters these consist of major UK Insurers. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The ageing of trade receivables at the reporting date was:

	2011	2010
	£	£
Not past due	3,475,349	3,149,878
Past due 0 – 30 days	119,328	208,464
Past due 31 – 60 days	126,865	174,599
More than 60 days	198,192	244,050
	<u><u>3,919,734</u></u>	<u><u>3,776,991</u></u>

No impairment losses for trade receivables have been recognised in the current or preceding year. Management maintain a policy of periodically reviewing all debtor balances for recoverability. Adjustments are made only where there is objective evidence of impairment as a result of a loss event. In this respect, charges in the Income Statement represent debtor write offs.

A provision for impaired receivables of £nil (2010: £nil) has been recognised in the year. The movement in the provision has been included within other operating costs in the income statement.

The Group's maximum exposure to credit risk is £11,974,905 being cash and cash equivalents, client deposits and trade receivables (2010: £13,145,457). The Company's maximum exposure to credit risk is £5,223,128 being cash and cash equivalents, client deposits and trade receivables (2010: £4,265,662).

Notes to the consolidated financial statements for the year ended 31 March 2011

23. Financial instruments (continued)

**Foreign currency exchange risk**

The Group engages in foreign currency denominated transactions.

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business. Premiums and claims are transacted in the same foreign currency as far as possible to achieve a natural hedge.

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
	£	£	£	£
USD : £	1.557	1.597	1.614	1.529
EUR : £	1.172	1.129	1.134	1.132
AUD\$ : £	1.651	1.860	1.56	1.662

The Group's exposure to foreign currency risk based on year end book values is as follows:

	Financial assets		Financial liabilities	
	2011	2010	2011	2010
	£	£	£	£
USD	75,992	113,434	76,303	338,131
EUR	221,306	181,234	330,429	341,116
AUD\$	-	132	-	37,529
	<b>297,298</b>	<b>294,800</b>	<b>406,732</b>	<b>716,776</b>

**Foreign currency exchange sensitivity**

If foreign currency exchange rates had been 20% lower and all other variables were held constant, the Group's pre tax profit for the year ended 31 March 2011 would have decreased by £264,651 (2010: £168,944) which would have the same effect on equity after adjusting for tax. The Company does not have exposure to foreign currencies.

Notes to the consolidated financial statements for the year ended 31 March 2011

23. Financial instruments (continued)

**Capital risk**

Capital consists of share capital, non-redeemable preference shares and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total debt and equity.

The table below shows the gearing ratios.

	2011 £	2010 £
Total borrowings (note 17)	15,033,108	16,067,472
Deferred consideration < 1 year	1,088,359	974,903
	<u>16,121,467</u>	<u>17,042,375</u>
Less: cash and cash equivalents (note 15)	(820,550)	(1,214,668)
Net debt	<u>15,300,917</u>	<u>15,827,707</u>
Total equity	9,580,749	11,379,945
Total debt and equity	<u>24,881,666</u>	<u>27,207,652</u>
<b>Gearing ratio</b>	61%	58%

24 Acquisitions during the year

No acquisitions were made during the year.

25. Acquisition of subsidiaries on prior year acquisitions

	Consolidated		Company	
	2011 £	2010 £	2011 £	2010 £
Prior year acquisitions				
Additional cash consideration	5,111	45,685	-	45,685
<b>Total consideration</b>	<u>5,111</u>	<u>45,685</u>	-	<u>45,685</u>
Less : cash & cash equivalents acquired net of overdrafts	-	-	-	-
<b>Net cash inflow on acquisition</b>	<u>5,111</u>	<u>45,685</u>	<u>-</u>	<u>45,685</u>

In addition, there was non-cash consideration of £129,430 in the year (2010: £nil).

Notes to the consolidated financial statements for the year ended 31 March 2011

26. Related party disclosures

The following companies were all wholly owned subsidiaries of COBRA Holdings PLC as at 31 March 2011 and all are incorporated in and operate from the United Kingdom:

	<b>Class of holding</b>	<b>Principal activity</b>	<b>% held directly</b>
BKG Corporate Risks Limited	Ordinary	Dormant	100
BKG Insurance Brokers Limited	Ordinary	Dormant	100
COBRA Capital Release Limited	Ordinary	Dormant	100
COBRA Corporate Solutions Limited	Ordinary	Insurance broking	100
COBRA Financial Services Limited	Ordinary	Financial services	64 *
COBRA GAL (Holdings) Limited	Ordinary	Holding company	100
COBRA Giles (Alton) Limited	Ordinary	Insurance broking	100
COBRA Insurance Brokers Limited	Ordinary	Insurance broking	100
COBRA J.K Lee Limited	Ordinary	Insurance broking	100
COBRA London Markets Limited	Ordinary	Insurance broking	-
COBRA Network Limited	A Ordinary	Insurance broker network	100
	B Ordinary		100
	C Ordinary		100
COBRA Resource Management Limited	Ordinary	Provision of Group services	100
COBRA TB Limited	Ordinary	Dormant	100
COBRA Tubbs Batten Limited	Ordinary	Insurance broking	100
COBRA UK & Ireland Holdings Limited	Ordinary	Holding company	100
COBRA UK & Ireland Insurance Consulting Limited	Ordinary	Dormant	-
COBRA UK & Ireland Limited	Ordinary	Insurance broking	-
COBRA Underwriting Agencies Limited	Ordinary	Underwriting agency	100
Hammond Frey Marrington Limited	Ordinary	Dormant	100
OPAL Mortgage Life and Pensions Limited	Ordinary	Financial services	100
Thornway Insurances Limited	Ordinary	Insurance broking	100

COBRA Financial Services Limited held 50% of the ordinary shares in Connections Financial Services Ltd. Connections Financial Services Ltd results to 31 March 2011 are immaterial to the Group and have not been included in these Group consolidated financial statements.

\* Remaining 36% is held by COBRA Insurance Brokers Limited.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**26. Related party disclosures (continued)**

There is a pension scheme for Directors, the BKG Group Pension Scheme, a defined contribution scheme.

Key management of the Group is considered to consist of all the Directors of the parent company. The key management compensation is disclosed in note 22.

The following loan note balances due to the following Directors were:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Steve Burrows	199,730	239,730
Wainford Holdings Ltd - (re Dominic Wainford)	7,000,000	7,000,000

The £7,000,000 convertible loan note due to Wainford Holdings Ltd was initially recorded at fair value with the liability element subsequently being held at amortised cost of £6,654,065 and equity value of £382,749 (note 17).

The loan note balance due to Steve Burrows was initially recorded at fair value and is subsequently carried at amortised cost and is included within the £1,193,375 loan notes balance as detailed in note 17.

Related party transactions for the year to 31 March 2011 are as follows:

Transactions between Group companies that are eliminated on consolidation are not disclosed.

The following related party balances due to / (from) the Company were:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
COBRA Capital Release Limited	10,000	10,000
COBRA Corporate Solutions Limited	(73,881)	(552,486)
COBRA Financial Services Limited	356,703	273,182
COBRA GAL (Holdings) Limited	764,409	764,409
COBRA Insurance Brokers Limited	(373,954)	(4,197,625)
COBRA London Markets Limited	(1,454,345)	(433,330)
COBRA Network Limited	(481,911)	(2,438,771)
COBRA Resource Management Limited	3,789,916	2,762,782
COBRA Underwriting Agencies Limited	(307,491)	(1,552,108)

The following related party balances due to / (from) the Company were:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
COBRA Capital Release Limited	10,000	10,000
COBRA Corporate Solutions Limited	(73,881)	(552,486)
COBRA Financial Services Limited	356,703	273,182
COBRA GAL (Holdings) Limited	764,409	764,409
COBRA Insurance Brokers Limited	(373,954)	(4,197,625)
COBRA London Markets Limited	(1,454,345)	(433,330)
COBRA Network Limited	(481,911)	(2,438,771)
COBRA Resource Management Limited	3,789,916	2,762,782
COBRA Underwriting Agencies Limited	(307,491)	(1,552,108)

During the year, the Company recharged £2,968,132 (2010: £2,525,899) of expenses to its subsidiaries.

During the year, the Company received dividends of £9,267,700 (2010: £nil) from its subsidiaries.

**Notes to the consolidated financial statements for the year ended 31 March 2011**

**27. Contingent liabilities**

In October 2007 the Company received advanced commission of £800,000 from a major insurer. This is being deferred and released over 5 years. In the event that the Group does not place a certain value of business through that insurer then the Group may be required to repay some or all of the advance.

The Group's policy on claims that may arise in connection with disputes in the ordinary course of business is described in note 1 on provisions.

**28. Share based payments**

The Company established an Enterprise Management Incentive share option scheme on 11 June 2007 for certain employees of the Group. The options are normally exercisable between the third and tenth anniversary of the date of grant. Options are forfeited if the employee leaves the Group before the options vest.

The share based payment for the year is £26,974 (2010: £127,073).

Details of the share options outstanding during the year is as follows:

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>Number</b>	<b>Number</b>
	<b>of</b>	<b>of</b>
	<b>shares</b>	<b>shares</b>
Outstanding at the beginning of the year	2,635,000	2,040,000
Granted during the year	100,000	805,000
Exercised during the year	-	-
Lapsed during the year	(280,000)	(210,000)
<b>Outstanding at the end of the year</b>	<b><u>2,455,000</u></b>	<b><u>2,635,000</u></b>

The remaining contractual life of share options at 31 March 2010 was 1,480,000 expiring June 2017, 70,000 expiring January 2018, 400,000 expiring September 2019, 405,000 expiring December 2019 and 100,000 expiring October 2020.

At 31 March 2011, the weighted average contractual life of the options is 7.1 years (2010: 7.9 years).

Notes to the consolidated financial statements for the year ended 31 March 2011

28. Share based payments (continued)

Options have been valued using the Black Scholes valuation model. There are no performance conditions attached to the share options. The fair value of the options granted and the assumptions used in the calculation are as follows:

	Options granted 22 October 2010	Options granted 21 December 2009	Options granted 24 September 2009
Expected volatility *	14%	14%	14%
Expected life	6.5 years	6.5 years	6.5 years
Risk-free rate	3%	3%	3%
Expected dividends	Nil	Nil	Nil
Share price	67.50p	69.50p	72.50p

The exercise price of the options granted was between 67.5p and 92.5p (2010: 69.5p and 92.5p). The weighted average exercise price is 76.9p.

The weighted average fair value of each option granted during the year was 79.44p (2010: 80.17p).

The mid market value of the company's ordinary shares was 67.00p at 31 March 2011 and the range during the year was 53.00p - 73.50p.

29. Reserves

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Convertible debt	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.

30. Events after reporting date

On 26 September 2011, a contract was signed for the sale of the business and certain fixed assets of the insurance broking operations in Caterham and Alton to ASG Risk Management Ltd, a subsidiary of Aston Scott Group plc. Completion is scheduled to take place on 30 November 2011. The consideration comprises £5.49M in cash on completion and a cash earn out over 2 years anticipated to be circa £2.7M.