

Company Number: 05548507

**COBRA HOLDINGS PLC**

**INTERIM RESULTS**

**FOR THE 6 MONTH PERIOD ENDED 30 SEPTEMBER 2011**

# **COBRA Holdings PLC**

## **Unaudited Interim Report for the six months ended 30 September 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 6 months to 30 September 2011**

We are pleased to report our results for the six month period to 30 September 2011.

**Key Points**

- Total Revenue increased slightly to £11.99M
- Commission income increased slightly to £11.98M
- Adjusted EBITDA decreased slightly to £1.76M
- Operating profit increased to £1.18M
- Profit before tax increased to £397K
- Profit after tax increased to £262K
- Cash at bank net of trust accounts £1.02M
- COBRA Network increases member premiums generating revenue growth of 22%
- COBRA Underwriting (CUA) revenues increased by 4%
- COBRA London Markets commission decreased by 5%
- COBRA Insurance Brokers profit before tax increased by 14%
- COBRA Financial Services revenue decreased by 5%

The Group produced a stable adjusted EBITDA level despite continuing adverse trading conditions. Adjusted EBITDA is a key measure as it reflects the underlying profitability of the Group's business before non-cash charges and the impact of the Group's financing structure. Despite the fact that premium rates in the UK remained generally weak the Group's EBITDA remains consistent with the same period last year. Our ongoing review of operating expenses and success in the retention of existing business has contributed to this performance.

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

Maintaining close relationships with both Insurers and customers has allowed the Group to continue to trade effectively throughout a period of general financial uncertainty, producing growth in both our wholesale and commercial insurance divisions. The Group's strength remains the breadth of services available, including access to Lloyd's and a number of specialist insurers.

The financial services and insurance industry, generally, continues to be under the spotlight with the Financial Services Authority insisting that the momentum for regulatory reform be maintained. We are well placed to deal with any significant changes in regulation and supervision due to our focus in the Group on compliance and training.

Downward pressure on commercial premiums continues to cause concern across the market and any potential rise in premiums or reduction in underwriting capacity remains difficult to predict. However, the Board considers that the group is well placed to ride out these general market conditions

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. The Group also intends to sell its subsidiary Cobra Corporate Solutions Ltd to its management and this sale is in advanced stages of negotiation. On completion of these deals, COBRA becomes well placed to reduce debt and invest strongly in its core activities.

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

**Consolidated Statement of Comprehensive Income  
For the 6 month period ended 30 September 2011**

		<b>6 months ended 30 September 2011 <i>Unaudited</i> £'000</b>	<b>6 months ended 30 September 2010 <i>Unaudited</i> £'000</b>	<b>12 months ended 31 March 2011 <i>Audited</i> £'000</b>
<b>Revenue</b>	<b>Note</b>			
Commissions		11,982	11,977	23,023
Interest and investment income		8	6	14
Other income		-	-	-
		<u>11,990</u>	<u>11,983</u>	<u>23,037</u>
Staff costs		(6,290)	(6,115)	(12,205)
Property costs		(545)	(667)	(1,339)
Other operating costs		(3,400)	(3,434)	(7,078)
		<u>(10,235)</u>	<u>(10,216)</u>	<u>(20,622)</u>
<b>Adjusted EBITDA*</b>		<b>1,755</b>	<b>1,767</b>	<b>2,415</b>
Share based payment expenses		(40)	(65)	(27)
Depreciation of property, plant and equipment		(195)	(198)	(393)
Amortisation of intangible assets		(337)	(337)	(675)
Impairment of goodwill		-	-	(1,496)
<b>Operating profit / (loss)</b>		<b>1,183</b>	<b>1,167</b>	<b>(176)</b>
Finance costs		(786)	(777)	(1,569)
<b>Profit / (loss) before tax</b>		<b>397</b>	<b>390</b>	<b>(1,745)</b>
Income tax expense	2	(135)	(160)	(155)
<b>Profit / (loss) for the period and total comprehensive income</b>		<b><u>262</u></b>	<b><u>230</u></b>	<b><u>(1,900)</u></b>
<b>Earnings / (loss) per share</b>				
Basic	4b	0.62p	0.55p	(4.50)p
Diluted	4b	0.62p	0.39p	(4.50)p

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

All amounts relate to continuing activities.

**Consolidated Statement of Financial Position  
As at 30 September 2011**

Company Number: 05548507

		<b>30 September 2011 <i>Unaudited</i> £'000</b>	<b>30 September 2010 <i>Unaudited</i> £'000</b>	<b>31 March 2011 <i>Audited</i> £'000</b>
	<b>Note</b>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		1,806	2,159	2,116
Investments		31	53	31
Goodwill and other intangibles		11,426	24,493	22,681
		<u>13,264</u>	<u>26,705</u>	<u>24,828</u>
<b>Current assets</b>				
Trade and other receivables		4,411	4,991	4,338
Cash and cash equivalents		7,567	7,127	7,637
		<u>11,978</u>	<u>12,118</u>	<u>11,975</u>
Assets in disposal groups classified as held for sale	3	12,715	-	-
		<u>24,692</u>	<u>12,118</u>	<u>11,975</u>
<b>Total assets</b>		<b><u>37,956</u></b>	<b><u>38,823</u></b>	<b><u>36,803</u></b>
<b>EQUITY AND LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings		11,092	12,434	11,894
Other liabilities		-	335	335
Deferred tax		1,246	1,329	1,313
		<u>12,338</u>	<u>14,098</u>	<u>13,542</u>
<b>Current liabilities</b>				
Borrowings		3,819	3,060	3,139
Current tax payable		387	295	241
Trade and other payables		8,886	8,900	9,211
Other liabilities		1,423	738	1,089
		<u>14,515</u>	<u>12,993</u>	<u>13,680</u>
Liabilities directly associated with assets in disposal groups classified as held for sale	3	1,220	-	-
		<u>15,735</u>	<u>12,993</u>	<u>13,680</u>
<b>Total liabilities</b>		<b><u>28,073</u></b>	<b><u>27,091</u></b>	<b><u>27,222</u></b>
<b>Equity</b>				
Share capital	4a	10,561	10,544	10,561
Convertible debt		383	383	383
Share premium		4,125	4,125	4,125
Acquisition reserve	5	(3,947)	(3,947)	(3,947)
Retained earnings		(1,239)	627	(1,541)
<b>Total equity</b>		<b><u>9,883</u></b>	<b><u>11,732</u></b>	<b><u>9,581</u></b>
<b>Total equity and liabilities</b>		<b><u>37,956</u></b>	<b><u>38,823</u></b>	<b><u>36,803</u></b>

**Consolidated Statement of Changes in Equity  
For the 6 month period ended 30 September 2011**

	Share capital £'000	Convertible debt £'000	Share premium £'000	Acquisition reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2010</b>	<b>10,524</b>	<b>383</b>	<b>4,088</b>	<b>(3,947)</b>	<b>332</b>	<b>11,380</b>
<b>Changes in equity</b>						
Total comprehensive income for the period	-	-	-	-	230	<b>230</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230</b>	<b>230</b>
Shares issued	20	-	-	-	-	<b>20</b>
Share premium	-	-	37	-	-	<b>37</b>
Share based payment	-	-	-	-	65	<b>65</b>
<b>At 30 September 2010</b>	<b>10,544</b>	<b>383</b>	<b>4,125</b>	<b>(3,947)</b>	<b>627</b>	<b>11,732</b>
<b>Changes in equity</b>						
Total comprehensive income for the period	-	-	-	-	(2,130)	<b>(2,130)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,130)</b>	<b>(2,130)</b>
Shares issued	17	-	-	-	-	<b>17</b>
Share based payment	-	-	-	-	(38)	<b>(38)</b>
<b>At 31 March 2011</b>	<b>10,561</b>	<b>383</b>	<b>4,125</b>	<b>(3,947)</b>	<b>(1,541)</b>	<b>9,581</b>
<b>Changes in equity</b>						
Total comprehensive income for the period	-	-	-	-	262	<b>262</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>262</b>	<b>262</b>
Share based payment	-	-	-	-	40	<b>40</b>
<b>At 30 September 2011</b>	<b>10,561</b>	<b>383</b>	<b>4,125</b>	<b>(3,947)</b>	<b>(1,239)</b>	<b>9,883</b>

**Consolidated Statement of Cash Flow**  
**For the 6 month period ended 30 September 2011**

	6 months ended 30 September 2011 <i>Unaudited</i> £'000	6 months ended 30 September 2010 <i>Unaudited</i> £'000	12 months ended 31 March 2011 <i>Audited</i> £'000
<b>Cash generated from operations</b>			
Profit / (loss) before taxation	397	392	(1,744)
Depreciation of property, plant & equipment	195	198	393
Amortisation of customer relationships	337	337	675
Impairment of goodwill	-	-	1,496
Profit on disposal of fixed assets	(19)	(25)	(44)
Write-down of listed investments	-	-	21
Share based payment expense	40	64	27
Finance expense on other financial liabilities	80	43	86
Finance expense on deferred consideration	-	15	31
Finance expense on loan notes	-	61	122
Finance expense on convertible debt	60	52	100
Other finance costs	646	605	1,229
Changes in working capital net of effect of acquisitions:			
Trade and other receivables	(1,377)	(488)	164
Trade and other payables	957	(1,266)	(486)
	<b>1,316</b>	<b>(12)</b>	<b>2,070</b>
<b>Cash inflows from operating activities</b>			
Cash generated from operations	1,316	(12)	2,070
Income taxes paid	(46)	(162)	(214)
Finance costs	(646)	(605)	(1,229)
<b>Net cash generated from operating activities</b>	<b>624</b>	<b>(779)</b>	<b>627</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment	(24)	(28)	(52)
Proceeds from disposal of property, plant & equipment	-	-	34
Acquisition of subsidiaries, net of cash acquired	-	-	(5)
<b>Net cash outflows from investing activities</b>	<b>(24)</b>	<b>(28)</b>	<b>(23)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings	850	-	-
Payment of finance lease liabilities	(90)	(95)	(255)
Payment of loan notes	-	(140)	(280)
Payment of long term borrowings	(737)	(474)	(1,075)
<b>Net cash inflows from financing activities</b>	<b>23</b>	<b>(709)</b>	<b>(1,610)</b>
<b>(Decrease) / increase in cash &amp; cash equivalents</b>	<b>623</b>	<b>(1,516)</b>	<b>(1,006)</b>
Cash & cash equivalents at beginning of the period	7,637	8,643	8,643
<b>Cash &amp; cash equivalents at end of the period</b>	<b>8,260</b>	<b>7,127</b>	<b>7,637</b>

**Notes to the Interim Report**

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

**Basis of preparation**

The interim results for the period ended 30 September 2011 have been prepared using the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

The comparative financial information presented for the period ended 30 September 2010 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006.

The statutory accounts of COBRA Holdings PLC for the year ended 31 March 2011 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The auditor's report was unqualified, did not include a reference to matters which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

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

**Basis of accounting**

The interim results have been prepared using the accounting policies that are expected to be applied for the year ended 31 March 2012 which are consistent with those reported in the full financial statements for the year ended 31 March 2011.

**Basis of consolidation**

The consolidated interim report of the Group comprises the financial statements of COBRA Holdings PLC and its subsidiaries as at 30 September 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

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

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

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

2. Taxation

	6 months ended 30 September 2011 <i>Unaudited</i> £'000	6 months ended 30 September 2010 <i>Unaudited</i> £'000	12 months ended 31 March 2011 <i>Audited</i> £'000
<b>Major components of the tax expense / credit:</b>			
Income tax expense - current period	200	251	201
(Over) / under provision in prior period	-	-	(10)
<b>Tax expense - current year</b>	<b>200</b>	<b>251</b>	<b>191</b>
Deferred tax - current period	(65)	(91)	(107)
Over provision in prior period	-	-	71
<b>Deferred tax credit - current period</b>	<b>(65)</b>	<b>(91)</b>	<b>(36)</b>
<b>Income tax expense</b>	<b>135</b>	<b>160</b>	<b>155</b>

3. Assets and liabilities classified as held for sale

The assets held for disposal relate to the insurance broking operations in Caterham and Alton of Cobra Insurance Brokers Ltd together with the assets and liabilities of Cobra Corporate Solutions Ltd and the goodwill associated with these businesses. On 27 September 2011 the board announced that a contract was signed for the sale of the business and certain fixed assets of its insurance broking operations in Caterham and Alton to ASG Risk Management Ltd, a subsidiary of Aston Scott Group plc. The Group also intends to sell its subsidiary Cobra Corporate Solutions Ltd.

4. Share capital and earnings per share

a) Share Capital

Company	30 September 2011		30 September 2010		31 March 2011	
	No.'000	£'000	No.'000	£'000	No.'000	£'000
Authorised:						
Ordinary shares of £0.25 each	146,140	36,535	146,140	36,535	146,140	36,535
	<b>146,140</b>	<b>36,535</b>	<b>146,140</b>	<b>36,535</b>	<b>146,140</b>	<b>36,535</b>
Company	30 September 2011		30 September 2010		31 March 2011	
Allotted, called up and fully paid:	No.'000	£'000	No.'000	£'000	No.'000	£'000
£0.25 each at beginning of period	42,243	10,561	42,096	10,524	42,096	10,524
Issued in the period	-	-	82	20	147	37
At the end of period	<b>42,243</b>	<b>10,561</b>	<b>42,178</b>	<b>10,544</b>	<b>42,243</b>	<b>10,561</b>

**b) Earnings per share**

*i) Basic*

The Basic earnings per share in the period ended 30 September 2011 is calculated by dividing the consolidated profit of £262,033 (30 September 2010: £229,875) attributable to equity holders in the Company by the weighted average number of ordinary shares in issue during the year of 42,243,322 (30 September 2010: 42,177,738).

*ii) Diluted*

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

2,855,000 options and 14,000,000 shares potentially arising from convertible debt are not dilutive as at 30 September 2011 but may be dilutive in future periods.

**5. Equity**

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

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

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