

Company Number: 05548507

**COBRA HOLDINGS PLC  
(FORMERLY COBRA HOLDINGS LIMITED)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

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**Company Information**

**Directors**

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

**Secretary and Registered Office**

Willow Taxation & Secretarial Services Ltd  
110 Fenchurch Street, London, EC3M 5JT

**Principal place of business**

110 Fenchurch Street  
London EC3M 5JT

**Company Number**

05548507

**Auditor**

Baker Tilly UK Audit LLP  
Chartered Accountants  
International House, Queens Road,  
Brighton, East Sussex, BN1 3XE

## **Directors' Report**

The Directors present their report together with the audited financial statements for the year to 31 December 2006.

On 24 May 2007 Cobra Holdings Limited re-registered as a public limited company and its name became Cobra Holdings plc.

## **Results and dividends**

The results for the year are shown in the consolidated Income Statement on page 10. The profit for the financial year before taxation and the Group's share of the losses of the associate was £0.6 million. The Directors do not recommend a dividend for the year (2005: £nil).

## **Principal activities and business review**

Cobra Holdings Limited is the holding company of a group of companies whose principal activities are those of a wholesale and retail insurance broker, a broker network underwriting agency and financial services provider.

Cobra Holdings Limited 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. Whilst the operations of the group are UK-based, the wholesale Lloyd's brokerage offers services to North American clients via US intermediaries. The Group has expanded over the last year due to both organic and acquisition growth and is now an established consolidator.

The Cobra Network was created as a mechanism to assist the development of the business of the Group and the business of its panel members, who are typically smaller, provincial broking firms. By delivering premium in bulk to insurers, it is able to reduce the costs of administration to suppliers and offer "face-to-face" communication to members, ultimately creating greater growth for those panel insurers involved.

As one of a small number of insurance broking networks that exist in the UK, Cobra Network continues to grow across the country and has achieved its target of being active in all major insurance areas.

Cobra Insurance Brokers was created following the successful merger of three provincial broking firms in the south east of England. Since January 2006, it has acquired a further two local firms, taking the combined brokerage into the top 2 independent insurance brokerage firms in the UK.

Following the success of Cobra Network, the Group has established an underwriting agency to deliver a dedicated policy range to its members efficiently and to offer advantages to insurers by reducing administration and servicing costs.

The Group also contains a Lloyd's broking division, through its associated company Cobra GAL (Holdings) Limited, and a financial services division offering independent financial advice in its own right and through professional services joint ventures.

Revenue for the year was £9 million and operating expenses were £7.8 million. £3.9 million loan notes were issued to the owners of the acquired businesses of which £1.6 million have been redeemed during the year. £225,000 was spent on the initial consideration for the acquisitions of the two Network member brokers in the year.

## **Performance of the business in the year and future developments**

In January 2006, Cobra Network Limited, Cobra Insurance Brokers Limited (formerly Truman Lincoln Insurance Brokers Limited), BKG Insurance Brokers Limited, BKG Corporate Risks Limited, Cobra Financial Services Limited and Cobra Underwriting Agencies Limited were purchased by the Company.

This combination of businesses has been accounted for as a “reverse acquisition” as further described in note 1, under “Business Combinations”. Under this method the acquirer is treated as Cobra Network Limited since control of the company passed to the previous shareholders of Cobra Network Limited. For this reason the comparative figures in the unaudited financial statements are those of Cobra Network Limited, the deemed acquirer.

Following the merger of BKG Insurance Brokers Limited, BKG Corporate Risks Limited and Truman Lincoln Insurance Brokers Limited in January 2006, forming Cobra Insurance Brokers Limited, the Company has fully integrated its clients, staff and I.T. platforms.

A significant development in the year has been the acquisition of businesses from within the Network. The acquisition of Hammond Frey Marrington Limited was made in April 2006 and the Directors are pleased with the way that it has been integrated into Cobra Insurance Brokers Limited. Cobra Tubbs Batten Limited (formerly K W Batten Limited) was purchased in December 2006.

Concentration for the future is for both organic growth and the acquisition of firms throughout the UK. To continue this strategy, the Company needs cash and in particular further earnings enhancing acquisitions. In addition to its own resources the Group has facilities available from Barclays Bank Plc and Premium Credit Ltd. The funding requirement associated with future acquisitions is continually assessed by the board against the cash that will be generated internally and what is available prudently from our facility providers.

The Directors consider the key financial performance indicators of the Group for 2007 to be:

- Continued integration by successful acquisition
- Rate of growth of revenues and
- Organic growth through expanding to the Cobra Network and exploiting cross-selling opportunities

### **Risks and uncertainties**

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

The key business risks affecting the Company 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.

### **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.

Given the small size of the Group and of its Board, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The Group's finance department implements the policies set by the Board of Directors.

### **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**

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

Whilst the Directors consider that the current level of funds will be sufficient to fund the Company's strategy, for the Group to achieve its planned expansion, they are actively seeking additional sources of acquisition and development capital. Hence, the Group may be required to raise funds in the form of equity and/or debt.

### **Foreign exchange risk**

The Group principally operates in the UK and therefore does not presently face a significant foreign exchange risk. The Directors do not currently consider it necessary to enter into forward exchange contracts. This situation is monitored on a regular basis.

### **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. 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 statements have been prepared in compliance with IFRS for the first time in the year ended 31 December 2006. Comparatives have been restated accordingly. Details of the transition are set out in Note 2.

### **Directors of the Company**

The Directors who served during the year were as follows:

S M Burrows  
H Poulton  
P J Robinson (appointed 15 November 2006)  
D Harris (appointed 15 November 2006)  
S M Bullock (appointed 15 November 2006)

### **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.

### **Political and charitable contributions**

The Company and its subsidiaries made charitable donations during the year of £22,302.

### **Post balance sheet events**

On 2 April 2007 Cobra Network Limited increased its holding in Cobra GAL (Holdings) Limited from 40% to 100%.

### **Option to acquire**

On 24 April 2007 Cobra Holdings Plc signed an option to acquire the entire share capital of Tubbs Insurance Services Limited.

***Re-registration***

On 24 May 2007 Cobra Holdings Limited was re-registered as a public limited company and changed its name from Cobra Holdings Limited to Cobra Holdings Plc.

***Share capital***

On 24 May 2007 the ordinary £1 shares of the company were sub-divided into 25p shares.

**Share option scheme**

On 23 May the directors approved a share option scheme for the benefit (at the discretion of the directors) of employees. On 11 June 2007 options in respect of £1,960,000 ordinary shares were issued.

**Auditor**

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

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

**H Poulton**

Director

29 June 2007

## **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. Under that law the Directors have elected to prepare financial statements for the Group and the Company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. The company financial statements are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the Group and Company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent Auditor's Report to the Shareholders of Cobra Holdings Plc**

We have audited the Group and parent company financial statements (the "financial statements") which are set out on pages 10 to 45. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of The Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent Auditor's Report to the Shareholders of Cobra Holdings Plc (cont)**

**Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**Baker Tilly UK Audit LLP**

29 June 2007

Baker Tilly UK Audit LLP  
Registered Auditor  
Chartered Accountants  
International House, Queens Road  
Brighton, East Sussex  
BN1 3XE

**Consolidated Income Statement**  
**For the year ended 31 December 2006**

	<b>Note</b>	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
<b>Revenues:</b>			
Commissions	4	8,815,079	2,536,484
Interest and investment income	8	129,350	483
Other operating income		11,986	11,548
		<u><b>8,956,415</b></u>	<u><b>2,548,515</b></u>
Operating expenses		<u>(7,765,315)</u>	<u>(1,149,611)</u>
<b>Operating profit</b>		<b>1,191,100</b>	<b>1,398,904</b>
Finance costs	9	(133,173)	(24,040)
Profit before amortisation and depreciation		<u>1,057,927</u>	<u>1,374,864</u>
Amortisation and depreciation		(446,059)	(25,189)
<b>Profit before tax</b>	5	<b>611,868</b>	<b>1,349,675</b>
Taxation	10	<u>(310,208)</u>	<u>(424,067)</u>
<b>Profit after tax of consolidated companies</b>		<b>301,660</b>	<b>925,608</b>
Share of losses of associate	12	(313,997)	(64,915)
<b>(Loss)/profit for the year</b>		<u><u><b>(12,337)</b></u></u>	<u><u><b>860,693</b></u></u>
<b>(Loss)/earnings per share:</b>			
Basic and fully diluted	22b	(0.04)p	7.90p

The notes on pages 17 to 45 form part of these financial statements.

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

The comparative Income Statement has been restated to account for the impact of IFRS. See Note 30 for the reconciliation from UK GAAP to IFRS.

**Consolidated Balance Sheet as at 31 December 2006**

	Notes	2006 £	2005 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	610,150	170,952
Investments	12	30,093	163,867
Goodwill and other intangibles	13	7,761,037	-
		<u>8,401,280</u>	<u>334,819</u>
<b>Current assets</b>			
Trade and other receivables	14	3,327,235	927,969
Cash and cash equivalents	15	3,601,058	338,371
		<u>6,928,293</u>	<u>1,266,340</u>
<b>Total assets</b>		<u>15,329,573</u>	<u>1,601,159</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	17	1,906,620	29,315
Other non-current liabilities	18	2,341,136	-
Finance lease obligations	19	228,585	99,274
		<u>4,476,341</u>	<u>128,589</u>
<b>Current liabilities</b>			
Borrowings	17	632,369	83,055
Current tax payable		316,769	424,067
Deferred tax	21	24,861	-
Finance lease obligations	19	78,540	17,147
Trade and other payables	16	4,538,465	64,288
		<u>5,591,004</u>	<u>588,557</u>
<b>Total liabilities</b>		<u>10,067,345</u>	<u>717,146</u>
<b>Equity</b>			
Share capital	22	8,423,920	1,111
Acquisition reserve		(4,032,257)	-
Retained earnings		870,565	882,902
		<u>5,262,228</u>	<u>884,013</u>
<b>Total equity</b>		<u>5,262,228</u>	<u>884,013</u>
<b>Total equity and liabilities</b>		<u>15,329,573</u>	<u>1,601,159</u>

The comparative Balance Sheet has been restated to account for the impact of IFRS. See Note 30 for the reconciliation from UK GAAP to IFRS.

The financial statements on pages 10 to 45 were approved by the Board of Directors and authorised for issue on 29 June 2007 and signed on its behalf by:

**S M Burrows**  
Director

**H Poulton**  
Director

**Company Balance Sheet as at 31 December 2006**

	Notes	2006 £	2005 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	69,982	27,026
Investments	12	12,943,798	1
		<u>13,013,780</u>	<u>27,027</u>
<b>Current assets</b>			
Trade and other receivables	14	1,269,778	-
Cash and cash equivalents	15	369,823	1
		<u>1,639,601</u>	<u>1</u>
<b>Total assets</b>		<u>14,653,381</u>	<u>27,028</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	17	1,906,620	-
Other non-current liabilities	18	2,341,136	-
Finance lease obligations	19	24,936	-
		<u>4,272,692</u>	<u>-</u>
<b>Current liabilities</b>			
Borrowings	17	600,000	-
Deferred tax	21	7,911	-
Finance lease obligations	19	8,438	-
Trade and other payables	16	903,357	27,026
		<u>1,519,706</u>	<u>27,026</u>
<b>Total liabilities</b>		<u>5,792,398</u>	<u>27,026</u>
<b>Equity</b>			
Share capital	22	8,423,920	2
Retained earnings		437,063	-
		<u>8,860,983</u>	<u>2</u>
<b>Total equity</b>		<u>8,860,983</u>	<u>2</u>
<b>Total equity and liabilities</b>		<u>14,653,381</u>	<u>27,028</u>

The financial statements on pages 10 to 45 were approved by the Board of Directors and authorised for issue on 29 June 2007 and signed on its behalf by:

**S M Burrows**  
 Director

**H Poulton**  
 Director

**Consolidated Statement of Changes in Shareholders' Equity**  
**For the year ended 31 December 2006**

	Share capital	Acquisition Reserve	Retained earnings	Total
	£		£	£
At 1 January 2005	1,111	-	22,209	23,320
Profit for the year under UK GAAP	-	-	925,608	925,608
Adoption of IAS 28	-	-	(64,915)	(64,915)
<b>At 31 December 2005</b>	<b>1,111</b>	<b>-</b>	<b>882,902</b>	<b>884,013</b>
Shares issued	8,423,918	-	-	8,423,918
Arising on reverse acquisition	(1,109)	(4,032,257)	-	(4,033,366)
Loss for the year	-	-	(12,337)	(12,337)
<b>At 31 December 2006</b>	<b><u>8,423,920</u></b>	<b><u>(4,032,257)</u></b>	<b><u>870,565</u></b>	<b><u>5,262,228</u></b>

The acquisition reserve arose on the deemed reverse acquisition of the Company by Cobra Network Limited, which was effective from 1 January 2006 (see Note 25) being the excess of the fair value of the consideration paid by the Company for the fair value of the net assets of Cobra Network Limited, and satisfied by cash of £1,309,347 and the issue of loan notes of £2,722.910.

The notes on pages 17 to 45 form part of these financial statements.

**Company Statement of Changes in Shareholders' Equity**  
**For the year ended 31 December 2006**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2005	2	-	2
Profit for the year	-	-	-
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2005</b>	<b>2</b>	<b>-</b>	<b>2</b>
Shares issued	8,423,918	-	8,423,918
Profit for the year	-	437,063	437,063
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2006</b>	<b><u>8,423,920</u></b>	<b><u>437,063</u></b>	<b><u>8,860,983</u></b>

The notes on pages 17 to 45 form part of these financial statements.

**Consolidated Cash Flow Statement**  
**For the year ended 31 December 2006**

	Notes	2006 £	2005 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	419,029	581,547
Income taxes paid		(579,165)	(10,000)
<b>Net cash (absorbed by)/generated from operating activities</b>		<u>(160,136)</u>	<u>571,547</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		130,407	-
Purchase of property, plant and equipment		(60,802)	(47,299)
Finance lease interest paid		(41,677)	(4,148)
Acquisition of subsidiaries, net of cash acquired (Note 31)		3,073,985	-
<b>Net cash from investing activities</b>		<u>3,101,913</u>	<u>(51,447)</u>
<b>Cash flows from financing activities</b>			
New borrowings		2,700,000	-
Repayment of borrowings		(2,093,293)	(321,507)
Bank interest paid		(83,280)	(19,892)
Repayment of finance leases		(202,517)	(6,441)
<b>Net cash from /(used in) financing activities</b>		<u>320,910</u>	<u>(347,840)</u>
<b>Increase in cash and cash equivalents</b>		3,262,687	172,260
Cash and cash equivalents at beginning of year		338,371	166,111
<b>Cash and cash equivalents at end of the year</b>		<u>3,601,058</u>	<u>338,371</u>

Under IFRS, cash flows are categorised under three separate headings rather than the seven under UK GAAP. Apart from presentation, there are no material differences between the cash flow statement under IFRS and the cash flow statement under UK GAAP.

The notes on pages 17 to 45 form part of these financial statements.

**Company Cash Flow Statement**  
**For the year ended 31 December 2006**

	Notes	2006 £	2005 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	(1,194,648)	27,026
Finance costs		(69,078)	-
<b>Net cash from operating activities</b>		<u>(1,263,726)</u>	<u>27,026</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(15,949)	(27,026)
Acquisition of investments (Note 31)		(457,785)	(1)
Dividend received		1,250,000	
Interest received		3,052	-
<b>Net cash from investing activities</b>		<u>779,318</u>	<u>(27,027)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	2
Proceeds from long term borrowings		2,700,000	-
Payment of finance lease liabilities		(7,032)	-
Payment of long term borrowings		(1,838,738)	-
<b>Net cash from financing activities</b>		<u>854,230</u>	<u>2</u>
<b>Increase in cash and cash equivalents</b>		369,822	1
Cash and cash equivalents at beginning of year		1	-
<b>Cash and cash equivalents at end of the year</b>		<u>369,823</u>	<u>1</u>

The notes on pages 17 to 45 form part of these financial statements.

## **Notes to the consolidated financial statements for the year ended 31 December 2006**

### **1. Accounting Policies and Presentation of Annual Financial Statements**

#### **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) for the first time. The disclosures required by IFRS 1 covering the transition from UK GAAP to IFRS are given in note 30.

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

#### **Basis of consolidation**

The consolidated financial statements of the Group comprise the financial statements of Cobra Holdings Plc and its subsidiaries as at 31 December 2006. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

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.

In accordance with Section 230 of the Companies Act 1985, the Company has elected not to prepare a company profit and loss account. The profit of the Company dealt with in these accounts is £437,063 (2005: £nil)

#### **Functional currency and foreign exchange**

Items included in the financial statements of the Group are presented and measured in Sterling being the functional currency of the primary economic environment in which the Group operates.

The Group had no transactions in a currency other than the functional currency during the year.

#### **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 judgement is applied are as follows:-

- Valuation of the assets of the subsidiaries at the point of acquisition
- Recoverability of trade receivables
- Identification of separable intangible assets arising on acquisition
- Useful lives of intangible assets
- Impairment of goodwill

## **1. Accounting Policies and Presentation of Annual Financial Statements (cont)**

### **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 the insurance broking division, income is recognised for commission and other network income at the date of contractual entitlement. Alterations in commission arising from premium adjustments are taken into account as and when such adjustments are notified. To the extent that the Company is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the costs of fulfilment of those obligations.

In the financial services division, commissions are recognised on the date on which the application is completed and renewals are recognised on their renewal date. Fees for investment advice are recognised in the period in which the advice is given.

### **Interest income**

Interest income is recognised as earned and includes interest earned as a result of cash flows arising from the settlement of insurance broking debtors and creditors. As interest income forms an integral part of the Group's operating activities it is included in revenues.

### **Business combinations**

In accordance with IFRS 3, the acquisition by the company of Cobra Network Limited has been treated as a reverse acquisition, since control of the company passed to the previous shareholders of Cobra Network Limited. As a result, no goodwill or intangible assets have been recorded as a result of this transaction and the comparatives shown for the consolidated statements and notes are those of Cobra Network Limited for the year ended 31 December 2005. The actual comparative period for Cobra Holdings Plc was 1 September 2005 to 31 December 2005. All other business combinations have been accounted for using the purchase method as detailed in the Basis of consolidation accounting policy.

### **Goodwill and intangible assets**

IFRS 3 requires that on an acquisition the difference between the cost of acquisition and the fair value of the net assets acquired be analysed between goodwill and specific intangible assets acquired.

In the opinion of the directors, specific intangible assets met the criteria for separate recognition arising on the acquisitions 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 5-10 years.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from synergies of 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 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 period.

In the opinion of the Directors, the fair value of the identifiable assets, liabilities and contingent liabilities of each of the subsidiaries was approximate to the book value.

## **1. Accounting Policies and Presentation of Annual Financial Statements (cont)**

### **Impairment of assets**

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

### **Property, plant and equipment**

The costs 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.

Costs include 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 is 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:

Leasehold property improvements	Term of the lease
Fixtures and fittings and computer equipment	25-33% 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 income statement using the effective interest method.

### **Operating leases**

Leases other than finance leases are treated as operating leases. Their annual rentals are charged to the income statement 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.

## **1. Accounting Policies and Presentation of Annual Financial Statements (cont)**

### **Investments in associate**

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are initially recognised at cost. The amount initially recognised is increased or decreased to recognise the Group's share of post acquisition profits or losses. If the Group's share of losses exceeds the amount of the interest in the associate then the Group discontinues recognising its share of further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

### **Taxation**

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate.

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. 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 income statement in the period to which they relate.

### **Financial instruments**

#### ***Cash and cash equivalents***

Cash and cash equivalents are measured at fair value and comprise cash balances, cash deposits and cash on call.

#### ***Trade and other receivables***

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts.

#### ***Trade and other payables***

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

## **1. Accounting Policies and Presentation of Annual Financial Statements (cont)**

### ***Insurance receivables and payables***

Certain subsidiaries of the Company act as agents in broking insurable risks of clients and are normally not liable as principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters, the Group has followed industry practice for insurance brokers by showing receivables, payables and cash balances relating to insurance business as assets and liabilities of the Company itself. This recognises that the Company is entitled to retain the investment income on any cash flows arising from these transactions.

Insurance receivables and payables and client monies held are recognised as gross assets and liabilities in the balance sheet.

### **Long term liabilities**

#### ***Borrowings***

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

#### ***Loan notes***

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

#### ***Fair value of financial instruments***

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.

### **Segment reporting**

The Group's primary format for segment reporting is business segments. A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different to those of other business segments. The Group operates wholly in the UK and therefore identifies no geographical segments.

### **Future accounting standards**

Accounting standards issued by the International Accounting Standards Board at the date of adoption of the financial statements but not in force at 31 December 2006 and their impact on the financial statements of the group were:

IFRS 7 – (effective for accounting periods beginning on or after 1 January 2007.) This will involve some additional disclosure concerning the financial instruments used by, and financial risks of, the company. However, given the company's limited use of financial instruments and straightforward financial position, the impact will be very restricted.

IAS 1 – (revised version effective for accounting periods beginning on or after 1 January 2007.) The revisions to this standard will require some additional disclosures concerning the capital structure of the Company.

IFRS 8 – (effective for accounting periods beginning on or after 1 January 2009.) This will involve the disclosure of segmental information based on the format used for reporting to the chief operating decision maker within the Group. It will not affect the total amounts presented in the financial statements.

## **1. Accounting Policies and Presentation of Annual Financial Statements (cont)**

In addition, the following Interpretations were in issue but not yet effective:

IFRIC 7 – (effective for accounting periods beginning on or after 1 March 2006.). This involves applying the restatement approach under IAS29, Financial Reporting in Hyperinflationary Economies.

IFRIC 8 – (effective for accounting periods beginning on or after 1 May 2006.). This requires the consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued used, to establish whether or not they fall within the scope of IFRS 2.

IFRIC 9 – (effective for accounting periods beginning on or after 1 June 2006.). This involves a reassessment of embedded derivatives.

IFRIC 10 – (effective for accounting periods beginning on or after 1 November 2006.). This prohibits the impairment losses recognised in an interim period in goodwill, investments in equity instruments and investments in financial assets carried at cost, to be reversed at a subsequent balance sheet date.

IFRIC 11 – IFRS2 Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007). This provides guidance on accounting for share based payments in the accounts of subsidiary undertakings.

IFRIC 12 – Service Concession Agreements (effective for accounting periods beginning on or after 1 January 2008). This applies only to service concession operators.

The Directors anticipate that the adoption of these Interpretations in future periods will have no material financial impact on the financial statements of the Group.

## 2. First time adoption of IFRS

The company has applied IFRS 1, First-time adoption of International Financial Reporting Standards, to provide a starting point for reporting under International Financial Reporting and Accounting Standards.

The date of transition was 1 January 2005. The transition had no impact on the amounts recorded in the financial statements, other than the adjustments made to reflect the equity accounting of the associate as required by IAS 28.

The explanation of the transition to IFRS is set out in Note 30.

## 3. Segmental reporting

### *Business segments*

Based on risks and returns, the Directors consider that the Group had only two business segments during the year ended 31 December 2006:-

- Provision of independent financial advice (comprising Cobra Financial Services Limited)
- Provision of reinsurance and insurance intermediary, risk advisory and related insurance services (comprising all other companies)

2006	Revenue	Depreciation & amortisation	Profit after tax of consolidated companies	Share of loss of associate	Assets	Liabilities
	£	£	£	£	£	£
Financial advice	1,088,231	31,765	97,376	-	574,496	124,555
Insurance Intermediary	7,856,198	395,565	1,792,182	(313,997)	6,604,078	3,982,962
Shared costs / net assets	-	18,729	(1,587,898)	-	8,150,999	5,959,828
Other operating income	11,986	-	-	-	-	-
	<u>8,956,415</u>	<u>446,059</u>	<u>301,660</u>	<u>313,997</u>	<u>15,329,573</u>	<u>10,067,345</u>
2005	Revenue	Depreciation & amortisation	Profit after tax of consolidate companies	Share of loss of associate	Assets	Liabilities
	£	£	£	£	£	£
Financial advice	-	-	-	-	-	-
Insurance Intermediary	2,536,967	25,189	925,608	(64,915)	1,601,159	717,146
Other operating income	11,548	-	-	-	-	-
	<u>2,548,515</u>	<u>25,189</u>	<u>925,608</u>	<u>(64,915)</u>	<u>1,601,159</u>	<u>717,146</u>

### *Geographical segments*

No geographical segmental analysis has been presented as the principal activities of the Group all arose in the United Kingdom.

## 4. Revenue

The revenue and profit before tax are attributable to the principal activities of the Group, and all arose in the United Kingdom.

**5. Profit before tax**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Profit before tax is stated after charging		
Depreciation of property, plant and equipment	188,959	25,189
Amortisation of intangibles	257,100	-
Operating lease costs – land and buildings	357,380	29,141
Staff Costs (see note 6)	5,490,074	690,405
Auditor's Remuneration (see note 7)	95,099	9,200
	<u>                    </u>	<u>                    </u>

All of the above items would have been charged in accordance with UK GAAP with the exception of the charge for amortisation of intangibles.

**6. Particulars of employees**

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

	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>
Number of staff	<u>104</u>	<u>10</u>
The aggregate payroll costs of the above were:		
	<b>£</b>	<b>£</b>
Wages and salaries	4,729,485	615,124
Social security costs	504,831	73,449
Benefits in kind	11,171	-
Other pension costs	244,587	1,832
	<u>5,490,074</u>	<u>690,405</u>

The remuneration of key management and directors is disclosed in note 23.

**7. Auditor's Remuneration**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Fees payable to the Group's auditor for the audit of the Group's annual accounts	10,821	-
Fees payable to the Group's auditor and its associates for other services:		
The audit of the Group's subsidiaries	66,110	9,200
Tax services	9,032	-
Other services	9,136	-
Charged in arriving at the profit before tax	<u>95,099</u>	<u>9,200</u>
Due diligence services (capitalised)	69,284	-
Total auditor remuneration	<u>164,383</u>	<u>9,200</u>

**8. Interest and Investment Income**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Interest receivable	114,975	483
Other investment income	14,375	-
	<u>129,350</u>	<u>483</u>

**9. Finance Costs**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Finance lease interest	41,677	4,148
Interest payable	83,280	19,892
Other similar charges	8,216	-
	<u>133,173</u>	<u>24,040</u>

**10. Taxation**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Major components of the tax expense / income		
Income tax expense – current period	301,425	425,000
Over provision in prior year	(21,154)	(933)
Income tax expense	<u>280,271</u>	<u>424,067</u>
Deferred tax (note 21)	29,937	-
	<u>310,208</u>	<u>424,067</u>

Taxation differs from the standard rate of corporation tax in the UK (30%) as applied to the profits as explained below:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Profit before tax	<u>611,868</u>	<u>1,349,675</u>
Profit multiplied by the standard rate of tax in the UK of 30%	183,560	404,902
Effects of:		
Expenses not deducted for tax purposes	109,995	19,704
Short term timing differences between capital allowances and depreciation	20,314	(775)
Adjustments in respect of prior year	(21,154)	(933)
Utilisation of tax losses	(1,848)	-
Capital items expensed	404	-
Effect of lower rate	(11,000)	-
Other movements	-	1,169
Income tax expense	<u>280,271</u>	<u>424,067</u>

**11. Property, Plant and Equipment**

**Consolidated**

	Leasehold property improvements	Fixtures, fittings and computer equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2006	-	76,441	133,441	209,882
Additions on business combination	25,263	245,772	210,446	481,481
Additions	10,000	43,623	223,460	277,083
Disposals	-	-	(186,871)	(186,871)
At 31 December 2006	<u>35,263</u>	<u>365,836</u>	<u>380,476</u>	<u>781,575</u>
Depreciation				
At 1 January 2006	-	26,518	12,412	38,930
Charge for the year	4,526	88,998	95,435	188,959
Disposals	-	-	(56,464)	(56,464)
At 31 December 2006	<u>4,526</u>	<u>115,516</u>	<u>51,383</u>	<u>171,425</u>
Net book value at 31 December 2006	<u>30,737</u>	<u>250,320</u>	<u>329,093</u>	<u>610,150</u>

	Fixtures, fittings and computer equipment	Motor vehicles	Total
	£	£	£
Cost			
At 1 January 2005	39,721	-	39,721
Additions	36,720	133,441	170,161
At 31 December 2005	<u>76,441</u>	<u>133,441</u>	<u>209,882</u>
Depreciation			
At 1 January 2005	13,741	-	13,741
Charge for the year	12,777	12,412	25,189
At 31 December 2005	<u>26,518</u>	<u>12,412</u>	<u>38,930</u>
Net book value			
At 31 December 2005	<u>49,923</u>	<u>121,029</u>	<u>170,952</u>

**11. Property, Plant and Equipment (cont)**

**Company**

	Leasehold property	Fixtures, fittings and computer equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2006	25,263	1,763	-	27,026
Additions	-	11,460	44,895	56,355
Disposals	-	-	-	-
At 31 December 2006	<u>25,263</u>	<u>13,223</u>	<u>44,895</u>	<u>83,381</u>
Depreciation				
At 1 January 2006	-	-	-	-
Charge for the year	2,526	1,520	9,353	13,399
Disposals	-	-	-	-
At 31 December 2006	<u>2,526</u>	<u>1,520</u>	<u>9,353</u>	<u>13,399</u>
Net book value at 31 December 2006	<u>22,737</u>	<u>11,703</u>	<u>35,542</u>	<u>69,982</u>

	Leasehold property	Fixtures, fittings and computer equipment	Total
	£	£	£
Cost			
At 1 January 2005	-	-	-
Additions	25,263	1,763	27,026
Disposals	-	-	-
At 31 December 2005	<u>25,263</u>	<u>1,763</u>	<u>27,026</u>
Depreciation			
At 1 January 2005	-	-	-
Charge for the year	-	-	-
Disposals	-	-	-
At 31 December 2005	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 31 December 2005	<u>25,263</u>	<u>1,763</u>	<u>27,026</u>

**Consolidated**

Included within the net book values are amounts of £337,355 (2005: £363,348) 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 £79,640 (2005 £34,585).

**Company**

Included within the net book values are amounts of £44,895 (2005: £nil) 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 £9,353. (2005: £nil)

**12. Investments**

<b>Consolidated</b>	<b>Investment in associate</b>	<b>Other</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 31 December 2005	163,867	-	163,867
Addition on business combination	-	30,093	30,093
Share of losses	(163,867)	-	(163,867)
At 31 December 2006	<u>-</u>	<u>30,093</u>	<u>30,093</u>

The investment in associate comprises a holding of 40% of the issued share capital of Cobra GAL (Holdings) Limited, comprising £1 ordinary shares. The company is incorporated in England & Wales and is the holding company of Cobra London Markets Limited.

Summarised financial information in respect of the associate is set out below:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Total assets	26,709,355	28,614,601
Total liabilities	<u>(27,084,680)</u>	<u>(27,559,934)</u>
Net (liabilities) / assets	<u>(375,325)</u>	<u>1,054,967</u>
Group's share of the net (liabilities) / assets of the associate	<u>(150,130)</u>	<u>421,987</u>
		21 months ended 31 December 2005
Total revenue	<u>3,646,261</u>	<u>6,987,000</u>
(Loss) after tax for the period	(784,992)	(90,000)
Transfer to reserve	-	(65,000)
	<u>(784,992)</u>	<u>155,000</u>
Group's share of the (loss) / profit of the associate	<u>(313,997)</u>	<u>65,000</u>

In 2005 the carrying value of the investment in the associate was reduced to the Group's share of the net assets of the Cobra GAL (Holdings) group. In the consolidated financial statements the Group has accounted for its full share of the loss for the year ended 31 December 2006 of £313,997 by deduction firstly from the carrying amount of the investment (£163,867) and the remainder (£150,130) from the carrying amount of the Group's loan to the associate of £450,000 (see note 14).

The consolidated retained loss of the Cobra GAL (Holdings) group for the year ended 31 December 2006 was £784,992, of which the Group's share of 40 per cent (£313,997) has been reflected in the Income Statement (2005: Cobra Network Limited: £64,915).

Other investments are unquoted.

The directors consider that the carrying value of other investments approximates to their fair value.

<b>Company</b>	<b>Investments in subsidiaries</b>
	<b>£</b>
At 31 December 2005	1
Addition on business combinations (see Note 25)	8,910,431
Consideration for the acquisition of Cobra Network Limited	<u>4,033,366</u>
At 31 December 2006	<u>12,943,798</u>

Details of subsidiary undertakings held at the year end are set out in note 27.

### **13. Goodwill and Other Intangibles**

#### **Consolidated**

	<b>Goodwill</b>	<b>Customer Relationships</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cost			
At 1 January 2006 and 1 January 2005	-	-	-
Additions on business combinations	5,469,137	2,549,000	8,018,137
At 31 December 2006	<u>5,469,137</u>	<u>2,549,000</u>	<u>8,018,137</u>
Amortisation			
At 1 January 2006 and 1 January 2005	-	-	-
Charge for the year	-	257,100	257,100
At 31 December 2006	<u>-</u>	<u>257,100</u>	<u>257,100</u>
Net book value at 31 December 2006	<u>5,469,137</u>	<u>2,291,900</u>	<u>7,761,037</u>

#### *Goodwill*

During the year ended 31 December 2006, the Group assessed the recoverable amount of goodwill and determined that goodwill was not impaired.

Goodwill was allocated for impairment testing purposes to the following five cash generating units:

Cobra Insurance Brokers Limited  
Cobra Financial Services Limited  
Cobra Network Limited  
Cobra Underwriting Agencies Limited  
Cobra Tubbs Batten Limited

The recoverable amount of the cash-generating units is determined based on a value in use calculation using cash flow forecasts. Cash flow forecasts were prepared for each cash generating unit, based on the financial projections included in the Group's business plan for 2007 and 2008 and extended for 2009-2011 to give five year projections based on broadly consistent growth assumptions. The projections were adjusted to allow for tax payments to arrive at operating cash flows.

The five year cash flows were discounted at a rate of 6 per cent. The composite cost of capital is derived from the Group's borrowing rate and commission payable on raising equity.

The carrying amount of goodwill allocated to the cash generating units is as follows:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Cobra Insurance Brokers Limited	3,927,187	-
Cobra Financial Services Limited	1,155,685	-
Cobra Underwriting Agencies Limited	20,194	-
Cobra Tubbs Batten Limited	<u>366,071</u>	<u>-</u>
	<u>5,469,137</u>	<u>-</u>

*Customer relationships*

In accordance with the Group's accounting policy, a review of the businesses acquired was undertaken and a value of £2,549,000 was attributed to customer relationships acquired with certain cash-generating units.

The valuations have been based on an income approach which is considered by the Directors to be most suitable for the appraisal of assets such as contracts and contractual relationships. The approach considers the extent to which future income streams that are likely to be receivable as a consequence of owning the contractual relationships.

A discounted cash flow method has been used to calculate a business enterprise valuation for each cash generating unit. These calculations have been prepared only in order to establish an appropriate discount rate to apply to each cash generating unit.

The discount rate applied to the subsequent valuations has been arrived at by applying the rate derived for each reporting unit.

Key assumptions underlining the valuations are as follows:

1. Projected revenues and net revenues for each reporting unit are derived from the Group's business plan and extrapolated.
2. Management estimates of key variables, based on historical experience, are as follows:
  - (a) Recurring revenues: 20 per cent. – 70 per cent.
  - (b) Average length of client relationship: 5 – 10 years

Customer relationships have been amortised over a period of 5 - 10 years.

**14. Trade and other receivables**

**Consolidated**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade receivables	2,689,508	927,969
Amounts due from associate	299,870	-
Other receivables	<u>337,857</u>	<u>-</u>
	<u>3,327,235</u>	<u>927,969</u>

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

Included within trade receivables is £1,783,847 relating to insurance broking receivables (2005: £nil).

**Company**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Amounts due from subsidiaries	816,991	-
Amounts due from associate	450,000	-
Other debtors	2,787	-
	<u>1,269,778</u>	<u>-</u>

**15. Cash and cash equivalents**

**Consolidated**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Non-statutory trust accounts	2,756,620	-
Other cash and cash equivalents	844,438	338,371
	<u>3,601,058</u>	<u>338,371</u>

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

**Company**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trust Accounts	-	-
Other cash and cash equivalents	369,823	1
	<u>369,823</u>	<u>1</u>

**16. Trade and other payables falling due within one year**

**Consolidated**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Deferred consideration	75,600	-
Trade payables	3,895,570	-
Other taxation and social security	214,263	24,747
Other payables	123,332	34,016
Accruals and deferred income	229,700	5,525
	<u>4,538,465</u>	<u>64,288</u>

The directors consider that the carrying value of trade and other payables approximates their fair value.

Included within trade payables is £3,882,850 relating to insurance broking payables (2005: £nil).

**Company**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Deferred consideration	75,600	-
Amounts owed to subsidiaries undertakings	787,961	27,026
Other taxation and social security	23,165	-
Accruals and deferred income	16,631	-
	<u>903,357</u>	<u>27,026</u>

In respect of the acquisition of Hammond Frey Mannington Limited further cash consideration of up to £151,200 may become payable in two instalments in July 2007 and May 2008. The amount payable depends on commissions generated in each of the years ended 30 April 2007 and 30 April 2008. The full potential amount has been provided.

## **17. Borrowings**

### **Consolidated**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Amounts due:		
No later than 1 year	632,369	83,055
Later than 1 year and no later than 5 years	<u>1,906,620</u>	<u>29,315</u>
Total	<u>2,538,989</u>	<u>112,370</u>

### **Company**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Amounts due:		
No later than 1 year	600,000	-
Later than 1 year and no later than 5 years	<u>1,906,620</u>	<u>-</u>
Total	<u>2,506,620</u>	<u>-</u>

As at 31 December 2006 the Company had £1,350,000 outstanding on a fixed-term loan from Barclays Bank plc, repayable in half yearly instalments to December 2011. The loan is secured by a company debenture and cross-guarantees from the following subsidiaries:-

Cobra Insurance Brokers Limited  
Cobra Underwriting Agencies Limited  
Cobra Network Limited  
Cobra Financial Services Limited

In addition, the Company had £1,156,620 outstanding on fixed term loans from Premium Credit Limited. The loans are secured by a second ranking company debenture and cross-guarantees from the following subsidiaries:-

Cobra Insurance Brokers Limited  
Cobra Underwriting Agencies Limited  
Cobra Network Limited  
Cobra Financial Services Limited  
Cobra Insurance Management Limited

Interest is payable at 2% over base on all loans.

The Directors consider that the carrying value of borrowings approximates their fair value.

**18. Other non-current liabilities**

**Consolidated**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Deferred consideration (see Note 16)	75,600	-
Loan notes	2,265,536	-
	<u>2,341,136</u>	<u>-</u>

**Company**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Deferred consideration (see Note 16)	75,600	-
Loan notes	2,265,536	-
	<u>2,341,136</u>	<u>-</u>

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 25.

**19. Finance lease obligations**

**Consolidated**

The Group has the following commitments under finance lease agreements.

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Amounts due:		
No later than 1 year	102,109	26,003
Later than 1 year and no later than 5 years	280,025	112,542
	382,134	138,545
Future finance charges	<u>(75,009)</u>	<u>(22,124)</u>
Present value of finance lease liabilities	<u>307,125</u>	<u>116,421</u>
Shown as:		
Current liabilities	78,540	17,147
Non-current liabilities	<u>228,585</u>	<u>99,274</u>
	<u>307,125</u>	<u>116,421</u>

The total future minimum lease payments at the balance sheet date approximate their present values.

**Company**

The Company has the following commitments under finance lease agreements.

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Amounts due:		
No later than 1 year	10,039	-
Later than 1 year and no later than 5 years	29,671	-
	39,710	-
Future finance charges	<u>(6,336)</u>	<u>-</u>
Present value of finance lease liabilities	<u>33,374</u>	<u>-</u>
Shown as:		
Current liabilities	8,438	-
Non-current liabilities	<u>24,936</u>	<u>-</u>
	<u>33,374</u>	<u>-</u>

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

**20. Commitments under operating leases**

The total of future minimum lease payments under non-cancellable operating leases are as follow:

	<b>2006</b>		<b>2005</b>	
	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>	<b>Other</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
Not later than 1 year	-	1,128	-	-
Later than 1 year and not later than 5 years	901,800	18,189	-	-
Later than 5 years	<u>666,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,568,700</u>	<u>19,317</u>	<u>-</u>	<u>-</u>

**21. Deferred Taxation**

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

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
At 1 January 2006	-	-
Additions on business combinations	5,076	-
Charge to income statement	<u>(29,937)</u>	<u>-</u>
At 31 December 2006	<u>(24,861)</u>	<u>-</u>

Deferred tax of £7,911 in relation to Cobra Holdings Plc is included in consolidated deferred tax balances above.

**22. Share capital and earnings per share**

**a) Share Capital**

Company	2006		2005	
	No	£	No	£
Authorised:				
Ordinary shares of £1 each	36,000,000	36,000,000	1,000	1,000
7% Preference shares of £1 each	535,000	535,000	-	-
	<u>36,535,000</u>	<u>36,535,000</u>	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each				
At beginning of year	2	2	-	-
Issued in the year	8,423,918	8,423,918	2	2
At the end of year	<u>8,423,920</u>	<u>8,423,920</u>	<u>2</u>	<u>2</u>

On 3 February 2006, the Company increased its authorised ordinary share capital by 35,999,000 shares, and its authorised 7% preference share capital by 535,000 shares.

**Group - 2006**

	No	2006 £
Authorised:		
Ordinary shares of £1 each	36,000,000	36,000,000
7% preference shares of £1 each	535,000	535,000
	<u>36,535,000</u>	<u>36,535,000</u>

Allotted, called up and fully paid		
Ordinary share of £1 each	<u>8,423,920</u>	<u>8,423,920</u>

**Group - 2005**

	No	2005 £
Authorised:		
Ordinary 'A' shares of £0.10 each	5,000	500
Ordinary 'B' shares of £0.10 each	5,000	500
Ordinary 'C' shares of £0.10 each	1,112	111
	<u>11,112</u>	<u>1,111</u>

Allotted, called up and fully paid		
Ordinary 'A' shares of £0.10 each	5,000	500
Ordinary 'B' shares of £0.10 each	5,000	500
Ordinary 'C' shares of £0.10 each	1,112	111
	<u>11,112</u>	<u>1,111</u>

The share capital in 2005 relates to Cobra Network Limited, the deemed acquirer in the reverse acquisition, effective 1 January 2006. The share capital in 2006 relates to Cobra Holdings Plc, the legal parent of the Group.

**b) (Loss)/Earnings per share**

*Basic*

The Basic Loss per share in the year ended 31 December 2006 is calculated by dividing the consolidated loss of £12,337 attributable to equity holders in the Company by the weighted average number of ordinary shares in issue during the period of 8,423,920 £1 shares but adjusted to 33,695,680 ordinary shares of £0.25 each given the sub-division which took place on 24 May 2007. See note 28 for further details.

Basic earnings per share in the year ended 31 December 2005 is calculated by dividing the profit of Cobra Network Limited of £860,693 attributable to equity holders in that company by the number of ordinary shares in the Company issued to the former shareholders of Cobra Network Limited (being 2,722,910 ordinary shares of £1 each, equivalent to 10,891,640 ordinary shares of £0.25 each. See note 28 for further details) in order to effect the acquisition by the Company of Cobra Network Limited.

*Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares in issue in the period. There were no potential dilutive ordinary shares in issue in the period.

**23. Emoluments of directors and key management**

In respect of the directors of Cobra Holdings Limited:

**Directors**

	£
Emoluments	320,083
Pension contributions (money purchase schemes)	20,000
	<u>340,083</u>

Number of directors to whom retirement benefits are accruing under money purchase scheme	<u>2</u>
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**Key management**

Key management are considered to be the directors of any of the companies comprising the group. Their aggregate emoluments in respect of qualifying services were:

	<b>2006</b>	<b>2005</b>
	£	£
Emoluments receivable	1,604,194	364,333
Pension contributions	113,474	-
Benefits-in-kind	29,163	-
	<u>1,746,831</u>	<u>364,333</u>

The highest paid director received emoluments of £189,188 excluding pension contributions (2005: £154,000). In addition, the Company made pension contributions of £10,000 for the highest paid director.

**24. Financial instruments**

The Group's operating activities take place entirely in the UK and are denominated in sterling. The operating transactions are not considered complex. The Group does not enter into any foreign exchange rate contracts.

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.

The process includes documentation of policies, including limits, controls and reporting structures.

### **Liquidity risk**

In order to mitigate any liquidity risk which the Group may face, the Group's policy has been to maintain substantial assets and liquid resources to ensure that sufficient funds are available to cover its obligations. This is managed by continuously monitoring forecast and actual cashflows. The group has no committed reserve borrowing facilities.

### **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.

### **Interest rate sensitivity**

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Group's loss for the year ended 31 December would have decreased / increased by £9,000.

Deposit accounts attract interest at rates that vary with prime. The Group policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on results.

### **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. For this reason it is not relevant to disclose the credit period taken by customers. 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.

### ***Financial liabilities***

Financial liabilities consist of finance leases, loan notes and bank loans. See notes 17 and 19 for the maturity profiles and interest rates applicable to these. The weighted average interest rates for finance leases were 8%, for loan notes nil, and for variable rate bank loans, 6.79%.

### ***Financial assets***

The Group holds no fixed rate financial assets (2005: nil).

Floating rate assets of £3,601,058 comprise Sterling cash balances on short term deposit (2005: £338,371). Included within this figure are amounts placed on money market for periods of up to a month at varying rates.

## **25. Acquisitions**

With effect from 1 January 2006 Cobra Holdings Limited purchased the entire share capital of the following companies, all of which are incorporated in England & Wales. Unless otherwise stated, the acquisitions were for 100% of the share capital and voting rights:-

Cobra Insurance Brokers Limited  
BKG Insurance Brokers Limited  
BKG Corporate Risks Limited  
Cobra Financial Services Limited  
Cobra Underwriting Agencies Limited  
Cobra Network Limited

Cobra Network Limited, being the dominant company prior to the creation of the group, is the deemed acquirer. Subsequently, the following acquisitions were made:

Hammond Frey Marrington Limited	(12 April 2006)
Cobra Tubbs Batten Limited (formerly K W Batten Ltd)	(31 December 2006)
Cobra Corporate Solutions Limited	(incorporated 6 September 2006)

Further information about the subsidiary companies is set out in note 27.

**Cobra Holdings plc**  
**(formerly Cobra Holdings Limited)**

All acquisitions have been accounted for by the purchase method of accounting. The fair value of the net assets acquired are set out below, the fair values being equivalent to book amounts.

	<b>Cobra Insurance Brokers £</b>	<b>BKG Insurance Brokers £</b>	<b>BKG Corporate Risks £</b>	<b>Cobra Financial Services £</b>	<b>Others £</b>	<b>TOTAL £</b>
<b>Non-current assets</b>						
Property, plant and equipment	295,037	52,689	22,068	72,063	39,628	481,485
Investments	25,631	-	-	1,220	3,343	30,194
<b>Current assets</b>						
Receivables	797,094	902,978	291,195	333,959	38,114	2,363,340
Inventory	-	-	5,856	-	-	5,856
Cash at bank and in hand	2,204,100	730,648	42,296	525,536	130,606	3,633,186
	<u>3,321,862</u>	<u>1,686,315</u>	<u>361,415</u>	<u>932,778</u>	<u>211,691</u>	<u>6,514,061</u>
Current liabilities	(2,548,359)	(1,460,489)	(554,577)	(666,624)	(186,331)	(5,416,380)
Non-current liabilities	(81,181)	-	(10,442)	(113,764)	-	(205,387)
	<u>692,322</u>	<u>225,826</u>	<u>(203,604)</u>	<u>152,390</u>	<u>25,360</u>	<u>892,294</u>
Goodwill	1,113,037	2,006,404	860,942	835,685	653,069	5,469,137
Customer relationships	2,527,000	-	-	22,000	-	2,549,000
<b>Total consideration</b>	<u><u>4,332,359</u></u>	<u><u>2,232,230</u></u>	<u><u>657,338</u></u>	<u><u>1,010,075</u></u>	<u><u>678,429</u></u>	<u><u>8,910,431</u></u>
<b>Satisfied by:</b>						
Cash and expenses	33,368	33,368	33,368	33,368	290,947	424,419
Ordinary £1 shares issued in Cobra Holdings	2,899,495	1,621,286	460,072	720,155	-	5,701,008
Loan notes issued by Cobra Holdings	1,399,496	577,576	163,898	256,552	236,282	2,633,804
Deferred consideration	-	-	-	-	151,200	151,200
	<u><u>4,332,359</u></u>	<u><u>2,232,230</u></u>	<u><u>657,338</u></u>	<u><u>1,010,075</u></u>	<u><u>678,429</u></u>	<u><u>8,910,431</u></u>

The other acquisitions, each accounting individually for less than 5% of the total consideration, comprise, Cobra Tubbs Batten Limited, Hammond Frey Mannington Limited, Cobra Corporate Solutions Limited and Cobra Holdings Limited.

**Cobra Holdings plc**  
**(formerly Cobra Holdings Limited)**

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The directors consider that the par value of the equity instruments issued equates to their fair value.

The goodwill arising on the acquisitions is attributable to the expected synergies, revenue growth and future market development expected to arise from the combination, and the benefit of an assembled workforce. These benefits are not recognised separately from goodwill as the future economic benefit arising from them cannot be reliably measured.

The loan notes issued to former owners of subsidiary undertakings, excluding Cobra Tubbs Batten Ltd, are unsecured and non-interest bearing. They are redeemable by the Company at any time prior to 31 January 2011, save in certain circumstances such as default by the Company at which time, the holder of the loan notes can require the Company to redeem the loan notes. The loan notes issued to the former owners of Cobra Tubbs Batten Limited are unsecured, non-interest bearing and repayable in equal instalments on 28 February 2008 and 28 February 2009.

The profit/(loss) before tax of each of the acquired companies since the date of acquisition to 31 December 2006 is as follows:

	£
Cobra Insurance Brokers Limited	877,014
Cobra Financial Services Limited	112,894
Cobra Underwriting Agency Limited	182,160
Cobra Holdings Plc	<u>(72,886)</u>

The profit before tax of Cobra Insurance Brokers Limited includes that of Cobra Insurance Brokers Limited and BKG Insurance Brokers Limited, BKG Corporate Risks Limited and Hammond Frey Marrington Limited, the trades of which were transferred to Cobra Insurance Brokers Limited during the year and are therefore not separately identifiable.

The loss before tax of Cobra Holdings Plc includes that of the Company and also its wholly owned subsidiary undertaking, Cobra Insurance Management Limited.

## 26. Cash generated from operations

### Consolidated

	2006	2005
	£	£
Profit before taxation	611,868	1,349,675
Depreciation of property, plant and equipment	188,959	25,189
Amortisation of customer relationships	257,100	-
Finance costs	124,957	24,040
Changes in working capital:		
Trade and other receivables	(188,353)	(868,543)
Trade and other payables	(575,502)	51,186
	<u>419,029</u>	<u>581,547</u>

Non-cash transactions comprise the inception of finance leases of £216,278, the issue of loan notes of £3,910,896 and of ordinary shares of £8,423,918.

### Company

	2006	2005
	£	£
Profit before taxation	444,974	-
Dividend received	(1,250,000)	-
Depreciation of property, plant and equipment	13,399	-
Investment income	(3,052)	-
Finance costs	69,078	-
Changes in working capital:		
Trade and other receivables	(1,218,722)	-
Trade and other payables	749,675	27,026
	<u>(1,194,648)</u>	<u>27,026</u>

## 27. Related Party Disclosures

The following companies were all wholly owned subsidiaries of Cobra Holdings Plc as at 31 December 2006 and all are incorporated in and operate from the United Kingdom:-

	Class of holding	Principal activity	% held directly
Cobra Insurance Brokers Limited	Ordinary	Insurance broking	100
BKG Insurance Brokers Limited	"	Insurance broking	-
BKG Corporate Risks Limited	"	Insurance broking	-
Hammond Frey Marrington Limited	"	Insurance broking	-
Cobra Tubbs Batten Limited	"	Insurance broking	-
Cobra Corporate Solutions Limited	"	Dormant	-
Cobra Financial Services Limited	"	Financial services	64
Cobra Underwriting Agencies Limited	"	Underwriting agency	100
Cobra Network Limited	A Ordinary	Broker network	100
	B Ordinary		100
	C Ordinary		100
Cobra Insurance Management Limited	Ordinary	Provision of group services	100
BKG Mortgages Limited	"	Dormant	-
Cobra Corporate Solutions Limited	"	Dormant	100

**Cobra Holdings plc**  
**(formerly Cobra Holdings Limited)**

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The following companies were associates of the Group:-

	<b>Class of holding</b>	<b>Class of holding Principal activity</b>	<b>% held directly</b>
Cobra GAL (Holdings) Limited	Ordinary & Preference	Holding company	40
Cobra London Markets Limited	Ordinary	Insurance broking	-

The following companies were controlled by common directors:-

	<i>Principal activity</i>
CLB Wealth Management	Financial intermediation
Truman Insurance Brokers (UK) Limited	Dormant (dissolved 15 August 2006)

There is a pension scheme for directors, the BKG Group Pension Scheme.

Key management of the Group is considered to consist of all the company directors:-

S M Burrows  
H Poulton  
D Harris  
S M Bullock  
P J Robinson  
L G Wallis  
W R Fairchild  
J E Lincoln  
M T Peasey  
P N T Smith  
M J Zandler  
M Bowler  
P J Bright  
P Truman  
P Bryant

The key management compensation is disclosed in note 23.

Related party transactions for the year to 31 December 2006 are as follows:-

Expenses re-charged to associate - £19,303 (2005-nil)

Cobra Network Limited loaned Cobra London Markets (an associated company) £200,000 in 2005 and received £1,500 in marketing income therefrom. £150,000 was the largest amount outstanding during 2005. The balance owed at 31 December 2005 was £nil.

Transactions between group companies that are eliminated on consolidation are not disclosed. The amounts due to and from the Company's subsidiary undertakings are set out in notes 14 and 16.

During the year the company received dividends of £1.25m from its subsidiaries.

## **28. Post Balance Sheet Events**

### **Cobra GAL Holdings Limited**

On 2 April 2007, Cobra Network Limited increased its holding in Cobra GAL (Holdings) Limited from 40% of the issued ordinary share capital to 100%. Consideration paid was in the form of 615,000 new ordinary shares of £1 each and £712,500 loan notes issued by Cobra Holdings Plc. In addition, Cobra Network Limited subscribed for £300,000 of ordinary shares of £1 each in Cobra (GAL) Holdings Limited.

**Cobra Holdings plc**  
**(formerly Cobra Holdings Limited)**

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The following net book values of Cobra (GAL) Holdings Limited, which the Directors consider to be approximate of fair value were acquired:

	£
Non-current assets	
Property, plant and equipment	97,000
Intangible assets	87,000
Current assets	
Receivables	5,206,000
Cash and cash equivalents	2,472,000
	<hr/>
	7,862,000
Current liabilities	(7,536,000)
Non-current liabilities	(321,000)
	<hr/>
Net assets acquired	<u>5,000</u>

Goodwill of £1.6m has provisionally arisen on the acquisition of the balance of 60% of this company. As at the date of this document, the Directors had not concluded their review as to the value attributable to other intangible assets that should be separately recognisable from goodwill.

**Option to acquire**

On 24 April 2007, Cobra Holdings Plc signed an option to acquire the entire share capital of Tubbs Insurance Services Limited, an insurance brokerage, for a maximum consideration of £1.43 million.

**Preference shares**

On 23 May 2007, the preference shares in the Company were re-designated as Ordinary Shares of £1 each.

**Share option scheme**

On 23 May 2007 the Directors approved a share option scheme for the benefit (at the discretion of the directors) of employees. On 11 June 2007 options in respect of 1,960,000 (subject to admission to listing of the company's shares). Shares were issued at an exercise price of 25 pence per share. The cost of granting the options will be charged in the Income Statement over the vesting period, which the directors provisionally estimate will give rise to an annual cost of £67,000 over 3 years.

**Re-registration**

On 24 May 2007, the Company was re-registered as a public limited company and, as a consequence thereof, changed its name from Cobra Holdings Limited to Cobra Holdings PLC.

**Share sub-division**

On 24 May 2007, the £1 ordinary shares of the Company were sub-divided into £0.25 shares.

**29. Capital Commitments and Contingent Liabilities**

At 31 December 2006 the Group had no capital commitments (2005: nil).

At 31 December 2006 the Group had provided a guarantee of the bank overdraft of its associate, Cobra GAL (Holdings) Limited, to a maximum of £165,000 (2005: nil).

### 30. Explanation of transition to IFRS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2005 and the date of transition to IFRS was therefore 1 January 2005.

#### Reconciliation of equity at 1 January 2005

The transition to IFRS had no impact on net assets at 1 January 2005.

#### Reconciliation of equity at 31 December 2005

	UK GAAP £	effect of transition £	IFRS £
<b>Non-current assets</b>			
Property plant and equipment	170,952	-	170,952
Investments	228,782	(64,915)	163,867
	<u>399,734</u>	<u>(64,915)</u>	<u>334,819</u>
<b>Current assets</b>			
Trade and other receivables	927,969	-	927,969
Cash and cash equivalents	338,371	-	338,371
	<u>1,266,340</u>	<u>-</u>	<u>1,266,340</u>
<b>Total assets</b>	<u>1,666,074</u>	<u>(64,915)</u>	<u>1,601,159</u>
<b>Non-current liabilities</b>			
Borrowings	29,315	-	29,315
Finance lease obligations	99,274	-	99,274
	<u>128,589</u>	<u>-</u>	<u>128,589</u>
<b>Current liabilities</b>			
Borrowings	83,055	-	83,055
Current tax payable	424,067	-	424,067
Finance lease obligations	17,147	-	17,147
Trade and other payables	64,288	-	64,288
	<u>588,557</u>	<u>-</u>	<u>588,557</u>
<b>Total liabilities</b>	<u>717,146</u>	<u>-</u>	<u>717,146</u>

The impact of implementing IAS 28 is to recognise Cobra Network Limited's investment in the Cobra GAL (Holdings) Limited Group after adjustment for the post-acquisition change in Cobra Network Plc's share of the net assets of the Cobra GAL (Holdings) Limited Group. The impact is a reduction in net assets of £64,915.

**Reconciliation of profit for the year ended 31 December 2005**

	UK GAAP £	effect of transition £	IFRS £
Revenue	2,536,484	-	2,536,484
Interest and investment income	483	-	483
Other operating income	11,548	-	11,548
	<b>2,548,515</b>	<b>-</b>	<b>2,548,515</b>
Operating expenses	(1,149,611)	-	(1,149,611)
<b>Operating profit</b>	<b>1,398,904</b>	<b>-</b>	<b>1,398,904</b>
Finance costs	(24,040)	-	(24,040)
<b>Profit before amortisation and depreciation</b>	<b>1,374,864</b>	<b>-</b>	<b>1,374,864</b>
Amortisation and depreciation	(25,189)	-	(25,189)
<b>Profit before tax</b>	<b>1,349,675</b>	<b>-</b>	<b>1,349,675</b>
Taxation	(424,067)	-	(424,067)
<b>Profit after tax</b>	<b>925,608</b>	<b>-</b>	<b>925,608</b>
Share of losses of associate	-	(64,915)	(64,915)
<b>Profit for the period</b>	<b>925,608</b>	<b>(64,915)</b>	<b>860,693</b>

The impact of implementing IAS 28 is to recognise Cobra Network Limited's post-acquisition share of the loss of the Cobra GAL (Holdings) Limited Group. The impact is a reduction in profit for the year of £64,915.

**31. Acquisition of subsidiaries**

**Consolidated**

	2006 £	2005 £
Total purchase consideration	(8,910,431)	-
Less: non-cash consideration	8,486,012	-
Consideration paid in cash	(424,419)	-
Less: cash and cash equivalents acquired net of overdrafts	3,498,404	-
Net cash inflow on acquisition	3,073,985	-

**Company**

	2006 £	2005 £
Total purchase consideration	(12,943,797)	-
Less: non-cash consideration	12,486,012	-
Consideration paid in cash	(457,785)	-
Less: cash and cash equivalents acquired net of overdrafts	-	-
Net cash outflow on acquisition	(457,785)	-