

Morgan Law Limited

Financial statements

For the year ended 31 December 2004

Grant Thornton 



Company information

Company registration number

2696420

Registered office

Hyde Park House
Crown Street
IPSWICH
Suffolk
IP1 3BJ

Directors

P A Smith
K F Watson

Secretary

J E Miller

Auditors

Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Crown House
Crown Street
IPSWICH
Suffolk
IP1 3HS

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2004.

Principal activities and business review

The principal activity of the company during the year was the provision of insurance services.

The directors are pleased with the trading results of the company and anticipate continued profitable trading in the current financial year.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2004	2003
	£	£
Proposed dividends on ordinary shares	60,000	213,332

Directors

The directors who served the company during the year were as follows:

P A Smith
K F Watson

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

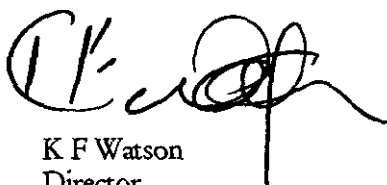
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



K F Watson
Director

26 July 2005

Report of the independent auditors to the members of Morgan Law Limited

We have audited the financial statements of Morgan Law Limited for the year ended 31 December 2004 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 28. 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 auditors' 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 report of the directors and the financial statements in accordance with United Kingdom law and accounting standards 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 United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the directors is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 company's circumstances, consistently applied and adequately disclosed.

Report of the independent auditors to the members of Morgan Law Limited (continued)

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

IPSWICH

26 July 2005

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Turnover

Turnover represents brokerage and fees in respect of premiums earned from clients net of related taxes in the United Kingdom. Revenue is recognised at the later of the effective date of the policy and the date that the policy is accepted by the customer.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer Equipment	-	4 years
Fixtures & Fittings	-	4 years
Motor Vehicles	-	4 years

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Insurance debtors and creditors

The company acts as an agent in broking insurance risks for its clients. Notwithstanding its legal relationship with clients and insurance companies, the company has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance broking business as assets and liabilities of the company itself.

Profit and loss account

	Note	2004 £	2003 £
Turnover	1	3,147,523	3,215,733
Cost of sales		67,044	(7,858)
Gross profit		3,080,479	3,223,591
Other operating charges	2	3,051,476	3,034,142
Other operating income	3	(10,228)	(11,370)
Operating profit	4	39,231	200,819
Interest receivable		126,566	105,518
Interest payable and similar charges	7	(7,708)	(13,901)
Profit on ordinary activities before taxation		158,089	292,436
Tax on profit on ordinary activities	8	73,692	89,755
Profit on ordinary activities after taxation		84,397	202,681
Dividends	9	60,000	213,332
Retained profit/(loss) for the financial year		24,397	(10,651)
Balance brought forward		775,227	785,878
Balance carried forward		799,624	775,227

All of the activities of the company are classed as continuing.

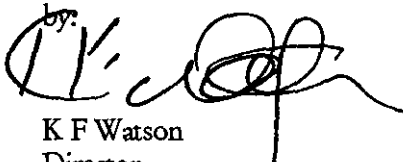
The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	10	426,455	371,812
Investments	11	1	1
		<u>426,456</u>	<u>371,813</u>
Current assets			
Debtors	12	1,540,768	1,765,171
Cash at bank		<u>3,742,571</u>	<u>3,196,999</u>
		5,283,339	4,962,170
Creditors: amounts falling due within one year	13	<u>4,891,051</u>	<u>4,537,445</u>
Net current assets		<u>392,288</u>	<u>424,725</u>
Total assets less current liabilities		<u>818,744</u>	<u>796,538</u>
Creditors: amounts falling due after more than one year	14	18,120	20,311
		<u>800,624</u>	<u>776,227</u>
Capital and reserves			
Called-up equity share capital	19	1,000	1,000
Profit and loss account	20	<u>799,624</u>	<u>775,227</u>
Shareholders' funds	21	<u>800,624</u>	<u>776,227</u>

These financial statements were approved by the directors on 26 July 2005 and are signed on their behalf

by:



K F Watson
Director

Cash flow statement

	Note	2004 £	2003 £
Net cash inflow/(outflow) from operating activities	22	960,244	(32,007)
Returns on investments and servicing of finance			
Interest received		126,566	105,518
Interest paid		(661)	(2,461)
Interest element of finance leases and hire purchase		(7,047)	(11,440)
Net cash inflow from returns on investments and servicing of finance		118,858	91,617
Taxation		(81,972)	(36,637)
Capital expenditure			
Payments to acquire tangible fixed assets		(303,257)	(46,571)
Receipts from sale of fixed assets		153,500	232,730
Net cash (outflow)/inflow from capital expenditure		(149,757)	186,159
Equity dividends paid		(213,332)	(213,332)
Financing			
Capital element of finance leases and hire purchase		(88,469)	(251,199)
Net cash outflow from financing		(88,469)	(251,199)
Increase/(decrease) in cash	23	<u>545,572</u>	<u>(255,399)</u>

Notes to the financial statements

1 Turnover

Turnover is wholly attributable to the principal activity.

An analysis of turnover is given below:

	2004 £	2003 £
United Kingdom	<u>3,147,523</u>	<u>3,215,733</u>

2 Other operating income and charges

	2004 £	2003 £
Administrative expenses	<u>3,051,476</u>	<u>3,034,142</u>

3 Other operating income

	2004 £	2003 £
Rent receivable	<u>10,228</u>	<u>11,370</u>

4 Operating profit

Operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation of owned fixed assets	89,727	70,016
Depreciation of assets held under finance leases and hire purchase agreements	66,429	67,818
Profit on disposal of fixed assets	(1,149)	(9,847)
Auditors' remuneration:		
Audit fees	12,400	18,800
Accountancy fees	1,650	2,500
Operating lease costs:		
Land and buildings	<u>51,140</u>	<u>56,848</u>

5 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Number of administrative staff	<u>38</u>	<u>35</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	1,952,731	2,070,860
Social security costs	247,947	258,647
Other pension costs	95,176	84,293
	<u>2,295,854</u>	<u>2,413,800</u>

6 Directors

Remuneration in respect of directors was as follows:

	2004	2003
	£	£
Emoluments receivable	1,318,780	1,408,804
Value of company pension contributions to money purchase schemes	85,800	74,000
	<u>1,404,580</u>	<u>1,482,804</u>

Emoluments of highest paid director:

	2004	2003
	£	£
Total emoluments (excluding pension contributions)	749,568	850,819
Value of company pension contributions to money purchase schemes	42,900	37,000
	<u>792,468</u>	<u>887,819</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004	2003
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

7 Interest payable and similar charges

	2004	2003
	£	£
Interest payable on bank borrowing	661	2,461
Finance charges	7,047	11,440
	<u>7,708</u>	<u>13,901</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	73,692	89,773
(Over)/under provision in prior year	-	(18)
Total current tax	<u>73,692</u>	<u>89,755</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>158,089</u>	<u>292,436</u>
Profit/(loss) on ordinary activities by rate of tax	47,427	87,731
Expenses not deductible for tax purposes	20,540	19,011
Depreciation in excess of capital allowances	18,427	(5,614)
Marginal relief	(12,702)	(11,355)
(Over)/under provision in prior year	-	(18)
Total current tax (note 8(a))	<u>73,692</u>	<u>89,755</u>

9 Dividends

	2004 £	2003 £
Equity dividends:		
Proposed dividend on ordinary shares	<u>60,000</u>	<u>213,332</u>

10 Tangible fixed assets

	Computer Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 January 2004	175,435	17,348	410,810	603,593
Additions	6,379	1,414	355,357	363,150
Disposals	-	-	(195,196)	(195,196)
At 31 December 2004	<u>181,814</u>	<u>18,762</u>	<u>570,971</u>	<u>771,547</u>
Depreciation				
At 1 January 2004	113,586	10,972	107,223	231,781
Charge for the year	20,928	2,565	132,663	156,156
On disposals	-	-	(42,845)	(42,845)
At 31 December 2004	<u>134,514</u>	<u>13,537</u>	<u>197,041</u>	<u>345,092</u>
Net book value				
At 31 December 2004	<u>47,300</u>	<u>5,225</u>	<u>373,930</u>	<u>426,455</u>
At 31 December 2003	<u>61,849</u>	<u>6,376</u>	<u>303,587</u>	<u>371,812</u>

Included within the net book value of £426,455 is £233,477 (2003 - £294,476) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £66,429 (2003 - £67,818).

11 Investments

	Investments £
Cost	
At 1 January 2004 and 31 December 2004	<u>3,185</u>
Amounts written off	
At 1 January 2004 and 31 December 2004	<u>3,184</u>
Net book value	
At 31 December 2004	<u>1</u>
At 31 December 2003	<u>1</u>

12 Debtors

	2004	2003
	£	£
Insurance debtors	1,383,321	1,615,804
Amounts owed by group undertakings	67,000	69,454
Prepayments and accrued income	90,447	79,913
	<u>1,540,768</u>	<u>1,765,171</u>

The company signed a formal Loan Subordination agreement in the previous year in respect of £67,000 owed by group undertakings. Repayment of this loan is therefore expected after more than one year.

13 Creditors: amounts falling due within one year

	2004	2003
	£	£
Insurance creditors	3,695,663	3,655,495
Amounts owed to group undertakings	40,338	493
Corporation tax	73,694	81,974
Other taxation and social security	141,554	118,535
Amounts due under finance leases and hire purchase agreements	49,930	76,315
Proposed dividends	60,000	213,332
Directors current accounts	65,088	53,332
Accruals and deferred income	764,784	337,969
	<u>4,891,051</u>	<u>4,537,445</u>

14 Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Amounts due under finance leases and hire purchase agreements	<u>18,120</u>	<u>20,311</u>

Amounts due under hire purchase agreements are secured on the assets to which they relate.

15 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2004	2003
	£	£
Amounts payable within 1 year	49,930	76,315
Amounts payable between 1 and 2 years	18,120	20,311
	<u>68,050</u>	<u>96,626</u>

16 Pensions

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in funds independent from those of the company.

The pension cost charge for the year was £95,176 (2003- £84,293).

17 Leasing commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>51,000</u>	<u>51,000</u>

18 Related party transactions

At 31 December 2004, the company had the following balances with related parties:

	2004	2003
	£	£
Debtors:		
Morgan Law (Financial Services) Limited	67,000	69,454
Creditors:		
Morgan Law (Holdings) Limited	(493)	(493)
Morgan Law (Financial Services) Limited	(39,845)	-
P A Smith	(39,236)	(26,666)
K F Watson	(25,852)	(26,666)

During the year, the following transactions took place with related parties:

Expenses amounting to £20,774 (2003 - £1,597) were paid by Morgan Law Limited on behalf of Morgan Law (Financial Services) Limited, its fellow subsidiary.

Expenses amounting to £63,573 (2003 - £Nil) were paid by Morgan Law (Financial Services) Limited on behalf of Morgan Law Limited.

The company charged Morgan Law (Financial Services) Limited a management charge of £500 (2003 - £5,000) during the year.

19 Share capital

Authorised share capital:

	2004	2003
	£	£
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
	1,000	1,000	1,000	1,000
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

20 Profit and loss account

	2004	2003
	£	£
Balance brought forward	775,227	785,878
Retained profit/(accumulated loss) for the financial year	24,397	(10,651)
Balance carried forward	<u>799,624</u>	<u>775,227</u>

21 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit for the financial year	84,397	202,681
Dividends	(60,000)	(213,332)
	<u>24,397</u>	<u>(10,651)</u>
Opening shareholders' equity funds	776,227	786,878
Closing shareholders' equity funds	<u>800,624</u>	<u>776,227</u>

22 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2004	2003
	£	£
Operating profit	39,231	200,819
Depreciation	156,156	137,834
Profit on disposal of fixed assets	(1,149)	(9,847)
Decrease in debtors	224,403	496,774
Increase/(decrease) in creditors	541,603	(857,587)
Net cash inflow/(outflow) from operating activities	<u>960,244</u>	<u>(32,007)</u>

23 Reconciliation of net cash flow to movement in net funds

	2004	2003
	£	£
Increase/(decrease) in cash in the period	545,572	(255,399)
Cash outflow in respect of finance leases and hire purchase	88,469	251,199
Change in net funds resulting from cash flows	634,041	(4,200)
New finance leases	(59,893)	(240,885)
Movement in net funds in the period	<u>574,148</u>	<u>(245,085)</u>
Net funds at 1 January 2004	3,100,373	3,345,458
Net funds at 31 December 2004	<u>3,674,521</u>	<u>3,100,373</u>

24 Analysis of changes in net funds

	At 1 Jan 2004 £	Cash flows £	Other changes £	At 31 Dec 2004 £
Net cash:				
Cash in hand and at bank	3,196,999	545,572	-	3,742,571
Debt:				
Finance leases and hire purchase agreements	(96,626)	88,469	(59,893)	(68,050)
Net funds	<u>3,100,373</u>	<u>634,041</u>	<u>(59,893)</u>	<u>3,674,521</u>

25 Non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £59,893 (2003 - £240,885).

26 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 December 2004 or 31 December 2003.

27 Capital commitments

The directors have confirmed that there were no capital commitments at 31 December 2004 or 31 December 2003.

28 Ultimate parent company

The directors consider that the parent company and controlling related party is Morgan Law (Holdings) Limited due to its shareholding in the company.