



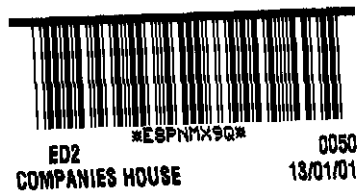
BDO Stoy Hayward
Chartered Accountants

Morgan Law Limited

Abbreviated Financial Statements

Year Ended

31 December 1998



MORGAN LAW LIMITED

Abbreviated financial statements for the year ended 31 December 1998

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Directors

PA Smith
KF Watson

Secretary and registered office

JE Miller, Hyde Park House, Crown Street, Ipswich, Suffolk, IP1 3BJ

Company number

2696420

Auditors

BDO Stoy Hayward, 87 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1PU

MORGAN LAW LIMITED**Report of the auditors****Auditors' report to Morgan Law Limited under section 247B of the Companies Act 1985**

We have examined the abbreviated financial statements on pages 2 to 6, together with the financial statements of the company for the year ended 31 December 1998 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Act to the Registrar of Companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246(5) and (6) of the Companies Act 1985, and the abbreviated financial statements on pages 2 to 6 are properly prepared in accordance with those provisions.

Other information

On 1 December 2000 we reported, as auditors of Morgan Law Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1998, and our audit report was as follows:

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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.

We planned 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. However, during the year certain irregularities have come to light which have given rise to prior year adjustments as detailed in note 17. The evidence available to us in this matter was limited given that the related investigation is incomplete. In the circumstances there were no other satisfactory audit procedures we could adopt to confirm that all necessary adjustments have been made.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had the investigation referred to above been completed, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work in relation to the irregularities we have not obtained all the information and explanations that we considered necessary for the purpose of our audit and we were unable to determine whether proper accounting records had been maintained.

BDO STOY HAYWARDChartered Accountants and Registered Auditors
Bury St Edmunds

1 December 2000

MORGAN LAW LIMITED

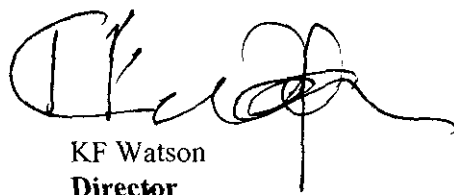
Balance sheet at 31 December 1998

	Note	1998	1997
		£	£
Fixed assets			
Intangible assets	2	37,875	47,975
Tangible assets	3	424,633	404,327
Investments		3,185	3,185
		<u>465,693</u>	<u>455,487</u>
Current assets			
Stocks		9,304	9,304
Debtors		2,033,455	1,064,776
Cash at bank and in hand		876,823	1,529,285
		<u>2,919,582</u>	<u>2,603,365</u>
Creditors: amounts falling due within one year	4	<u>3,360,318</u>	<u>2,874,194</u>
Net current liabilities		<u>(440,736)</u>	<u>(270,829)</u>
Net assets		<u>24,957</u>	<u>184,658</u>
Capital and reserves			
Called up share capital	5	1,000	1,000
Profit and loss account		23,957	183,658
Shareholder's funds		<u>24,957</u>	<u>184,658</u>

All shareholder's funds are attributable to equity interests.

These abbreviated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The abbreviated financial statements were approved by the Board on 1 December 2000.



KF Watson
Director

The notes on pages 3 to 6 form part of these abbreviated financial statements.

MORGAN LAW LIMITED

Notes forming part of the abbreviated financial statements for the year ended 31 December 1998

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents brokerage and fees in respect of premiums received from clients net of related taxes in the United Kingdom. Where clients are given credit brokerage is recognised when all amounts are settled with the insurer. Fees are recognised when the client has fully settled.

Insurance debtors and creditors

Insurance debtors and creditors include amounts due from or to a party with whom the group settles in the normal course of business.

Goodwill

Goodwill is the difference between the fair value of the consideration paid on the acquisition of the business and the fair value of the assets and liabilities acquired. Goodwill is amortised over its estimated economic useful life of 10 years.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated as follows:

Motor vehicles	- over 4 years
Fixtures, fittings and equipment	- over 4 years
Computer equipment	- over 4 years

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability will crystallise.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at cost and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the instalments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

Pension costs

Contributions to the company's money purchase defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

MORGAN LAW LIMITED

Notes forming part of the abbreviated financial statements for the year ended 31 December 1998
(Continued)

2 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At 1 January 1998 and 31 December 1998	101,000
<i>Amortisation</i>	
At 1 January 1998	53,025
Provided for the year	10,100
At 31 December 1998	63,125
<i>Net book value</i>	
At 31 December 1998	37,875
At 31 December 1997	47,975

3 Tangible assets

	Total £
<i>Cost</i>	
At 1 January 1998	598,992
Additions	364,523
Disposals	(304,306)
At 31 December 1998	659,209
<i>Depreciation</i>	
At 1 January 1998	194,665
Provided for the year	130,469
Disposals	(90,558)
At 31 December 1998	234,576
<i>Net book value</i>	
At 31 December 1998	424,633
At 31 December 1997	404,327

MORGAN LAW LIMITED

Notes forming part of the abbreviated financial statements for the year ended 31 December 1998
(Continued)

4 Creditors: amounts falling due within one year

Included within 1997 figures is an amount of £5,018 relating to obligations held under finance leases and hire purchase contracts. These are secured on the underlying assets.

5 Share capital

	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>1,000</u>	<u>1,000</u>

6 Prior year adjustment

During the year certain irregularities have come to light relating to prior years and the directors have commissioned independent accountants to prepare a report on the irregularities and to negotiate with the Inland Revenue on the company's behalf. This work is not yet complete though irregularities identified to date have been included in the financial statements. Full provision has also been made for the related additional tax liabilities. When the investigation is complete further adjustments may be required once all outstanding matters have been fully resolved.

Since the required adjustments relate to earlier years, the prior year comparatives have been restated to reflect these changes, as follows:

	As previously reported £	Prior year adjustment £	As restated £
<i>Profit and loss account</i>			
Turnover	<u>1,762,741</u>	<u>169,820</u>	<u>1,932,561</u>
Cost of sales	<u>(179,298)</u>	<u>102,094</u>	<u>(77,204)</u>
Administrative expenses	<u>(1,438,386)</u>	<u>50,736</u>	<u>(1,387,650)</u>
Profit before tax	<u>303,662</u>	<u>322,650</u>	<u>626,312</u>
Tax on profit on ordinary activities	<u>(85,906)</u>	<u>(243,859)</u>	<u>(329,765)</u>
Retained profit for the year	<u>217,756</u>	<u>78,791</u>	<u>296,547</u>

MORGAN LAW LIMITED

Notes forming part of the abbreviated financial statements for the year ended 31 December 1998
(Continued)

6 Prior year adjustment (continued)

Balance sheet

Debtors -

Insurance debtors	635,139	41,661	676,791
Directors loan accounts	-	327,470	327,470

Creditors: amounts falling due within one year -

Accruals	543,072	(206,495)	336,577
Corporation tax	51,630	721,404	773,034

Shareholders' funds	330,436	(145,778)	184,658
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7 Related party transactions

At 31 December 1998, the company had the following balances with related parties:

	Maximum balance £	1998 £	1997 £
Debtors			
Morgan Law (Financial Services) Limited	52,580	52,580	6,593
KF Watson	220,144	70,144	163,735
PA Smith	242,310	92,310	163,735
Creditors: amounts falling due within one year			
Morgan Law (Holdings) Limited		493	493

During the year expenses amounting to £8,201 were paid for by Morgan Law Limited on behalf of Morgan Law (Financial Services) Limited, its fellow subsidiary undertaking. The expenses were reimbursed by Morgan Law (Financial Services) Limited during the year.

Also during the year a motor vehicle was purchased from Morgan Law (Financial Services) Limited for a consideration of £11,750.

The company's parent company and controlling party is Morgan Law (Holdings) Limited which is the parent of the only group of which the company is a member. Morgan Law (Financial Services) Limited is the company's fellow subsidiary undertaking.