



BDO Stoy Hayward
Chartered Accountants

Morgan Law Limited

Report and Financial Statements

Year Ended

31 December 1996



MORGAN LAW LIMITED

Annual report and financial statements for the year ended 31 December 1996

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Directors

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Directors

PA Smith
KF Watson

Secretary and registered office

JE Miller, Amandra House, St Botolph's Circus, Colchester, Essex, CO1 2JT

Company number

2696420

Auditors

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

MORGAN LAW LIMITED

Report of the directors for the year ended 31 December 1996

The directors present their report together with the audited financial statements for the year ended 31 December 1996.

Directors' responsibilities

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 and of the profit or loss of the company for that period. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors recommend a final ordinary dividend amounting to £160,000.

Principal activities, trading review and future developments

The company's principal activity during the year was that of an insurance broker.

The directors are pleased with the trading results of the company. The directors anticipate a return to growth in the business and expect continued profitable trading results in the current financial year.

Charitable contributions

During the year the company made charitable contributions of £1,131.

Directors

The directors of the company during the year were:

PA Smith
KF Watson

No director had any interest in the ordinary shares of the company.

PA Smith and KF Watson are also directors of the parent company, Morgan Law (Holdings) Limited and their interests in the share capital of that company are shown in its financial statements.

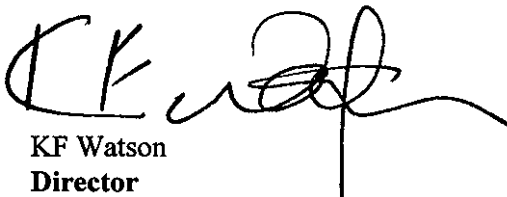
MORGAN LAW LIMITED

Report of the directors for the year ended 31 December 1996 *(Continued)*

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'KF Watson', with a long horizontal flourish extending to the right.

KF Watson
Director

Date 27/6/97

MORGAN LAW LIMITED**Report of the auditors**

To the shareholders of Morgan Law Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 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.

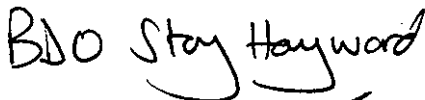
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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 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 the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
and Registered Auditors
Bury St Edmunds

27 June 1997

MORGAN LAW LIMITED

Profit and loss account for the year ended 31 December 1996

| | Note | 1996 £ | 1995 £ |
|---|------|-----------|-----------|
| Turnover | 2 | 1,489,336 | 1,521,713 |
| Cost of sales | | 233,863 | 213,848 |
| Gross profit | | 1,255,473 | 1,307,865 |
| Administrative expenses | | 1,139,031 | 1,084,332 |
| Other operating income | | 59,760 | 20,000 |
| Operating profit | 5 | 176,202 | 243,533 |
| Interest receivable | | 113,811 | 125,321 |
| Interest payable and similar charges | 6 | (2,113) | (3,671) |
| Profit on ordinary activities before taxation | | 287,900 | 365,183 |
| Tax on profit on ordinary activities | 7 | (106,814) | (137,692) |
| Profit on ordinary activities after taxation | | 181,086 | 227,491 |
| Dividends | 8 | (160,000) | (160,000) |
| Retained profit for the year | | 21,086 | 67,491 |
| Retained profit brought forward | | 250,594 | 183,103 |
| Retained profit carried forward | | 271,680 | 250,594 |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There was no material difference between the historical cost profit before taxation and the profit on ordinary activities before taxation in either 1996 or 1995.

The notes on pages 6 to 12 form part of these financial statements.

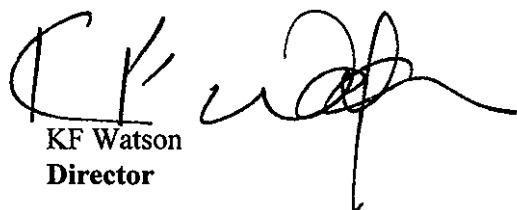
MORGAN LAW LIMITED

Balance sheet at 31 December 1996

| | Note | 1996 | 1995 |
|--|------|--------------------|--------------------|
| | | £ | £ |
| Fixed assets | | | |
| Intangible assets | 9 | 58,075 | 68,175 |
| Tangible assets | 10 | 257,092 | 241,883 |
| Investments | 11 | 3,185 | 1,260 |
| | | <u>318,352</u> | <u>311,318</u> |
| Current assets | | | |
| Stocks | 12 | 5,637 | 3,230 |
| Debtors | 13 | 718,339 | 766,253 |
| Cash at bank and in hand | | 1,336,045 | 1,136,875 |
| | | <u>2,060,021</u> | <u>1,906,358</u> |
| Creditors: amounts falling due within one year | 14 | <u>(2,100,674)</u> | <u>(1,946,940)</u> |
| Net current liabilities | | <u>(40,653)</u> | <u>(40,582)</u> |
| Total assets less current liabilities | | <u>277,699</u> | <u>270,736</u> |
| Creditors: amounts falling due after more than one year | 15 | <u>(5,019)</u> | <u>(19,142)</u> |
| Net assets | | <u>272,680</u> | <u>251,594</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 1,000 | 1,000 |
| Profit and loss account | | 271,680 | 250,594 |
| Shareholder's funds | 17 | <u>272,680</u> | <u>251,594</u> |

All shareholder's funds are attributable to equity interests.

The financial statements were approved by the Board on 27/6/97


KF Watson
Director

The notes on pages 6 to 12 form part of these financial statements.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996

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.

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 amount paid on the acquisition of the business with the aggregate fair value of its separable net assets. The cost of goodwill is being amortised over its estimated economic 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 or asset will crystallise.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

1 Accounting policies *(Continued)*

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 scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Employees

The average monthly number of employees of the company during the year, including directors, were as follows:

| | 1996 Number | 1995 Number |
|----------------------------|----------------|----------------|
| Administration and selling | 25 | 25 |
| Staff costs consist of: | | |
| | £ | £ |
| Wages and salaries | 573,698 | 513,242 |
| Social security costs | 56,586 | 53,226 |
| Other pension costs | 52,201 | 69,267 |
| | <u>682,485</u> | <u>635,735</u> |

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

4 Directors

| | 1996 £ | 1995 £ |
|--|----------------|----------------|
| Directors' emoluments consist of: | | |
| Remuneration for management services | <u>342,000</u> | <u>270,000</u> |
| Emoluments (excluding pension contributions) of: | | |
| Both directors | <u>149,000</u> | <u>114,000</u> |

5 Operating profit

This has been arrived at after charging/(crediting)

| | | |
|--|-----------------|-----------------|
| Depreciation | 92,858 | 93,115 |
| Profit on sale of fixed assets | (12,458) | (1,617) |
| Amortisation of goodwill | 10,100 | 10,100 |
| Hire of plant and machinery - operating leases | 3,026 | 5,518 |
| Auditors' remuneration | 5,000 | 4,000 |
| Rent of office space | (39,760) | - |
| Management charge to fellow subsidiary | <u>(20,000)</u> | <u>(20,000)</u> |

6 Interest payable and similar charges

| | | |
|--|--------------|---------------|
| Finance leases and hire purchase contracts | <u>2,113</u> | <u>36,671</u> |
|--|--------------|---------------|

7 Taxation on profit from ordinary activities

| | | |
|--------------------|----------------|----------------|
| UK corporation tax | | |
| Current year | 106,454 | 139,368 |
| Prior year | 360 | (1,676) |
| | <u>106,814</u> | <u>137,692</u> |

8 Dividends

| | | |
|---|----------------|----------------|
| Ordinary paid £160 (1995: £160) per share | <u>160,000</u> | <u>160,000</u> |
|---|----------------|----------------|

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 (*Continued*)

9 Intangible fixed assets

| | Goodwill |
|--|----------------------|
| <i>Cost</i> | |
| At 1 January 1996 and 31 December 1996 | <u>101,000</u> |
| <i>Amortisation</i> | |
| At 1 January 1996 | 32,825 |
| Provided for the year | <u>10,100</u> |
| At 31 December 1996 | <u>42,925</u> |
| <i>Net book value</i> | |
| At 31 December 1996 | <u>58,075</u> |
| At 31 December 1995 | <u>68,175</u> |

10 Tangible assets

| | Motor vehicles £ | Computer equipment £ | Fixtures, fittings and equipment £ | Total £ |
|----------------------------|------------------------|----------------------------|---|-----------------------|
| <i>Cost</i> | | | | |
| At 1 January 1996 | 308,801 | 50,081 | 40,921 | 399,803 |
| Additions | 357,238 | 349 | 455 | 358,042 |
| Disposals | (333,961) | - | - | (333,961) |
| At 31 December 1996 | <u>332,078</u> | <u>50,430</u> | <u>41,376</u> | <u>423,884</u> |
| <i>Depreciation</i> | | | | |
| At 1 January 1996 | 91,188 | 39,368 | 27,364 | 157,920 |
| Provided for the year | 73,156 | 9,733 | 9,969 | 92,858 |
| Disposals | (83,986) | - | - | (83,986) |
| At 31 December 1996 | <u>80,358</u> | <u>49,101</u> | <u>37,333</u> | <u>166,792</u> |
| <i>Net book value</i> | | | | |
| At 31 December 1996 | <u>251,720</u> | <u>1,329</u> | <u>4,043</u> | <u>257,092</u> |
| At 31 December 1995 | <u>217,613</u> | <u>10,713</u> | <u>13,557</u> | <u>241,883</u> |

The net book value of tangible fixed assets includes an amount of £24,125 (1995 - £49,659) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the period was £13,463 (1995 - £18,966).

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

11 Investments

The company purchased 1,260 ordinary £1 shares at par on 24 October 1995 in 'Broker Development plc'. On 18 December 1996, a further 1,925 shares were purchased at par in addition to a bonus issue of 315 shares. The company's holding at 31 December 1996 is 3,500 £1 ordinary shares at a cost of £3,185.

The directors are of the opinion that this is a long term investment and that as at 31 December 1996 the market value of the shares was not materially different from cost.

12 Stocks

| | 1996 £ | 1995 £ |
|-------------|--------------|--------------|
| Consumables | <u>5,637</u> | <u>3,230</u> |

There is no material difference between the replacement cost of stocks and the amounts stated above.

13 Debtors

| | | |
|---------------------------------|----------------|----------------|
| Insurance debtors | 677,736 | 717,039 |
| Amounts due from parent company | 4,896 | - |
| Other debtors | 17,450 | 30,933 |
| Prepayments | 18,257 | 18,281 |
| | <u>718,339</u> | <u>766,253</u> |

14 Creditors: amounts falling due within one year

| | | |
|--|------------------|------------------|
| Insurance creditors | 1,661,987 | 1,402,880 |
| Amounts due to subsidiary undertaking | 3,407 | - |
| Taxation and social security | 21,436 | 22,274 |
| Corporation tax | 66,423 | 99,368 |
| Obligations under finance leases and hire purchase contracts | 6,899 | 15,298 |
| Accruals | 340,522 | 407,120 |
| | <u>2,100,674</u> | <u>1,946,940</u> |

Obligations under finance leases and hire purchase contracts are secured on the underlying assets (also note 15).

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

15 Creditors: amounts falling due after more than one year

| | 1996 £ | 1995 £ |
|--|--------------|---------------|
| Obligations under finance leases and hire purchase contracts | <u>5,019</u> | <u>19,142</u> |

The amounts are all repayable within five years.

16 Share capital

| | Authorised | | Allotted, called up and fully paid | |
|----------------------------|---------------|---------------|---------------------------------------|--------------|
| | 1996 £ | 1995 £ | 1996 £ | 1995 £ |
| Ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> | <u>1,000</u> | <u>1,000</u> |

17 Reconciliation of movements in shareholder's funds

| | 1996 £ | 1995 £ |
|--|-----------------------|-----------------------|
| Profit for the year | 181,086 | 227,491 |
| Dividends | <u>(160,000)</u> | <u>(160,000)</u> |
| Net addition to shareholder's funds | 21,086 | 67,491 |
| Opening shareholder's funds | <u>251,594</u> | <u>184,103</u> |
| Closing shareholder's funds | <u>272,680</u> | <u>251,594</u> |

18 Pensions

The company operates a number of defined contribution pension schemes. The assets of each scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1996 *(Continued)*

19 Related party transactions

At 31 December 1996, the company had the following balances with group undertakings:

| | 1996 £ |
|---|-----------|
| Debtors (note 13) | |
| Morgan Law (Holdings) Limited | 4,896 |
| Creditors: amounts falling due within one year (note 14) | |
| Morgan Law (Holdings) Limited | 3,407 |

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. The company is exempt from disclosing related party transactions with group undertakings as it is a wholly owned subsidiary included in the consolidated financial statements of Morgan Law (Holdings) Limited.

Copies of the consolidated financial statements of Morgan Law (Holdings) Limited are available from Companies House.