



BDO Stoy Hayward
Chartered Accountants

2696420

Morgan Law Limited

Report and Financial Statements

Year Ended

31 December 1997



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MORGAN LAW LIMITED

Annual report and financial statements for the year ended 31 December 1997

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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 directors for the year ended 31 December 1997

The directors present their report together with the audited financial statements for the year ended 31 December 1997.

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.

An interim ordinary dividend of £160,000 was paid on 7 October 1997. The directors do not recommend the payment of a final ordinary dividend.

Principal activities, trading review and future developments

The company was registered with the Insurance Brokers Registration Council until 12 December 1997. At this date it achieved an orderly erasure, as a result of which its principal activity changed to the provision of insurance services.

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

Year 2000

The company is currently assessing the impact of the Year 2000 issue on its business and operations. The costs of addressing these issues have not yet been quantified, however they are not anticipated to be significant.

Charitable contributions

During the year the company made charitable contributions of £1,092.

MORGAN LAW LIMITED

Report of the directors for the year ended 31 December 1997 *(Continued)*

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 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.

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



KF Watson
Director

Date 16th Oct 1998



BDO Stoy Hayward
Chartered Accountants

87 Guildhall Street
Bury St Edmunds Suffolk IP33 1PU

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

*Chartered Accountants
and Registered Auditors
Bury St Edmunds*

20 October 1998

MORGAN LAW LIMITED

Profit and loss account for the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	2	1,762,741	1,489,336
Cost of sales		179,298	233,863
Gross profit		1,583,443	1,255,473
Administrative expenses		1,438,386	1,139,031
Other operating income		20,000	59,760
Operating profit	5	165,057	176,202
Interest receivable		139,473	113,811
Interest payable and similar charges	6	(868)	(2,113)
Profit on ordinary activities before taxation		303,662	287,900
Tax on profit on ordinary activities	7	85,906	106,814
Profit on ordinary activities after taxation		217,756	181,086
Dividends	8	160,000	160,000
Retained profit for the year		57,756	21,086
Retained profit brought forward		271,680	250,594
Retained profit carried forward		329,436	271,680

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 1997 or 1996.

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

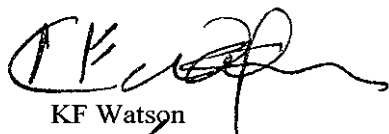
MORGAN LAW LIMITED

Balance sheet at 31 December 1997

	Note	1997	1996
		£	£
Fixed assets			
Intangible assets	9	47,975	58,075
Tangible assets	10	404,327	257,092
Investments	11	3,185	3,185
		<u>455,487</u>	<u>318,352</u>
Current assets			
Stocks	12	9,304	5,637
Debtors	13	695,645	718,339
Cash at bank and in hand		1,529,285	1,336,045
		<u>2,234,234</u>	<u>2,060,021</u>
Creditors: amounts falling due within one year	14	<u>2,359,285</u>	<u>2,100,674</u>
Net current liabilities		<u>(125,051)</u>	<u>(40,653)</u>
Total assets less current liabilities		<u>330,436</u>	<u>277,699</u>
Creditors: amounts falling due after more than one year	15	-	5,019
Net assets		<u>330,436</u>	<u>272,680</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Profit and loss account		329,436	271,680
Shareholder's funds	17	<u>330,436</u>	<u>272,680</u>

All shareholder's funds are attributable to equity interests.

The financial statements were approved by the Board on 16th Oct. 1998


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 1997

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 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 or asset will crystallise.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 (*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:

	1997 Number	1996 Number
Administration and selling	27	25
Staff costs consist of:		
	£	£
Wages and salaries	761,558	573,698
Social security costs	94,544	56,586
Other pension costs	71,307	52,201
	927,409	682,485

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 *(Continued)*

4 Directors

	1997 £	1996 £
Emoluments	387,000	298,000
Pension contributions	64,000	44,000
	<u>451,000</u>	<u>342,000</u>
Emoluments of each director:		
Emoluments	193,500	149,000
Pension contributions	32,000	22,000
	<u>225,500</u>	<u>171,000</u>

During the year both directors were members of the company's defined contribution scheme.

5 Operating profit

This has been arrived at after charging/(crediting)

Depreciation	92,721	92,858
Profit on sale of tangible fixed assets	(16,787)	(12,458)
Amortisation of goodwill	10,100	10,100
Hire of plant and machinery	2,231	3,026
Auditors' remuneration - audit services	5,053	5,000
- non audit services	3,114	1,362
Rent of office space - payable	43,894	50,000
- receivable	(4,853)	(39,760)
Management charge to fellow subsidiary	(20,000)	(20,000)
	<u></u>	<u></u>

6 Interest payable and similar charges

Finance leases and hire purchase contracts	<u>868</u>	<u>2,113</u>
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7 Tax on profit on ordinary activities

UK corporation tax		
Current year	91,630	106,454
Prior year	(5,724)	360
	<u>85,906</u>	<u>106,814</u>

There are no timing differences which would give rise to any potential deferred tax liability.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 (*Continued*)

8 Dividends

	1997 £	1996 £
Ordinary paid £160 (1996: £160) per share	<u>160,000</u>	<u>160,000</u>

9 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At 1 January 1997 and 31 December 1997	<u>101,000</u>
<i>Amortisation</i>	
At 1 January 1997	42,925
Provided for the year	10,100
At 31 December 1997	<u>53,025</u>
<i>Net book value</i>	
At 31 December 1997	<u>47,975</u>
At 31 December 1996	<u>58,075</u>

10 Tangible assets

	Motor vehicles £	Computer equipment £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 January 1997	332,078	50,430	41,376	423,884
Additions	292,195	27,884	60,165	380,244
Disposals	(205,136)	-	-	(205,136)
At 31 December 1997	<u>419,137</u>	<u>78,314</u>	<u>101,541</u>	<u>598,992</u>
<i>Depreciation</i>				
At 1 January 1997	80,358	49,101	37,333	166,792
Provided for the year	80,410	3,661	8,650	92,721
Disposals	(64,848)	-	-	(64,848)
At 31 December 1997	<u>95,920</u>	<u>52,762</u>	<u>45,983</u>	<u>194,665</u>
<i>Net book value</i>				
At 31 December 1997	<u>323,217</u>	<u>25,552</u>	<u>55,558</u>	<u>404,327</u>
At 31 December 1996	<u>251,720</u>	<u>1,329</u>	<u>4,043</u>	<u>257,092</u>

The net book value of tangible fixed assets includes an amount of £14,786 (1996 - £24,125) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the period was £9,339 (1996 - £13,463).

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 *(Continued)*

11 Investments

The company's holding of shares in 'Broker Development Plc' at 31 December 1997 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 1997 the market value of the shares was not materially different from cost.

12 Stocks

	1997 £	1996 £
Consumables	<u>9,304</u>	<u>5,637</u>

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

13 Debtors

	1997 £	1996 £
Insurance debtors	635,130	677,736
Amounts due from parent company (note 19)	-	4,896
Amounts due from subsidiary undertaking (note 19)	6,593	-
Other debtors	26,498	17,450
Prepayments	27,424	18,257
	<u>695,645</u>	<u>718,339</u>

14 Creditors: amounts falling due within one year

Insurance creditors	1,730,965	1,661,987
Amounts due to parent company (note 19)	493	-
Amounts due to subsidiary undertaking (note 19)	-	3,407
Taxation and social security	28,107	21,436
Corporation tax	51,630	66,423
Obligations under finance leases and hire purchase contracts	5,018	6,899
Accruals	543,072	340,522
	<u>2,359,285</u>	<u>2,100,674</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 1997 *(Continued)*

15 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Obligations under finance leases and hire purchase contracts	-	5,019

The amounts are all repayable within five years.

16 Share capital

	Authorised		Allotted, called up and fully paid	
	1997 £	1996 £	1997 £	1996 £
Ordinary shares of £1 each	10,000	10,000	1,000	1,000

17 Reconciliation of movements in shareholder's funds

	1997 £	1996 £
Profit for the year	217,756	181,086
Dividends	160,000	160,000
Net addition to shareholder's funds	57,756	21,086
Opening shareholder's funds	272,680	251,594
Closing shareholder's funds	330,436	272,680

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 independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 *(Continued)*

19 Related party transactions

At 31 December 1997, the company had the following balances with group undertakings:

	1997 £	1996 £
Debtors (note 13)		
Morgan Law (Financial Services) Limited	6,593	-
Morgan Law (Holdings) Limited	-	4,896
	<u> </u>	<u> </u>
Creditors: amounts falling due within one year (note 14)		
Morgan Law (Financial Services) Limited	-	3,407
Morgan Law (Holdings) Limited	493	-
	<u> </u>	<u> </u>

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.