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Grant Thornton

Financial statements
Morgan Law Limited

For the Year Ended 31 December 2008

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Company No. 2696420

Company information

Company registration number	2696420
Registered office	Hyde Park House Crown Street IPSWICH Suffolk IP1 3BJ
Directors	P A Smith K F Watson R M Brown T D Johnson
Secretary	J E Miller
Auditor	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 2008.

Principal activities and business review

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

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

Results and dividends

The profit for the year, after taxation, amounted to £389,794. Particulars of dividends paid are detailed in note 9 to the financial statements.

Financial risk management objectives and policies

The company uses various financial instruments which include cash, trade debtors and trade creditors. The main purpose of these is to finance the company's operations and the main risks arising are credit risk and liquidity risk.

In order to manage credit risk, credit checks are undertaken on new customers and aged debtors listings are regularly reviewed.

The company seeks to ensure that at all times, sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It also ensures that, at all times, FSA requirements in respect of client money are met.

Directors

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

P A Smith
K F Watson
R M Brown
T D Johnson

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Small company provisions
This report has been prepared in accordance with the special provisions for small companies under part VII of the Companies Act 1985.

Auditor
Grant Thornton UK LLP, having offered themselves for reappointment as auditors, shall be reappointed for the next financial year in accordance with the Companies Act 2006.

ON BEHALF OF THE BOARD

K F Watson
Director
19 October 2009

Grant Thornton

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

We have audited the financial statements of Morgan Law Limited for the year ended 31 December 2008 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 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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

Basis of 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

IPSWICH

19 October 2009

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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

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	2008 £	2007 £
Turnover	1	**3,201,062**	3,178,043
Cost of sales		**905,750**	(25,436)
Gross profit		**2,295,312**	3,203,479
Other operating charges	2	**1,818,842**	1,731,333
Other operating income	3	**(10,185)**	(10,200)
Operating profit	4	**486,655**	1,482,346
Interest receivable		**103,770**	160,760
Interest payable and similar charges	7	**(5,544)**	(6,355)
Profit on ordinary activities before taxation		**584,881**	1,636,751
Tax on profit on ordinary activities	8	**195,087**	502,733
Profit for the financial year	20	**389,794**	1,134,018

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	2008 £	2007 £
Fixed assets			
Tangible assets	10	**200,071**	290,574
Investments	11	**1**	1
		200,072	290,575
Current assets			
Debtors	12	**1,652,540**	820,189
Cash at bank		**1,692,694**	2,811,930
		3,345,234	3,632,119
Creditors: amounts falling due within one year	13	**3,405,382**	3,672,758
Net current liabilities		**(60,148)**	(40,639)
Total assets less current liabilities		**139,924**	249,936
Creditors: amounts falling due after more than one year	14	**2,506**	31,264
		137,418	218,672
Capital and reserves			
Called-up equity share capital	19	**1,000**	1,000
Profit and loss account	20	**136,418**	217,672
Shareholders' funds	21	**137,418**	218,672

These financial statements were approved by the directors and authorised for issue on 19 October 2009, and are signed on their behalf by:

K F Watson
Director

The accompanying accounting policies and notes form part of these financial statements.

Cash flow statement

	Note	2008 £	2007 £
Net cash inflow from operating activities	22	**440,951**	1,243,972
Returns on investments and servicing of finance			
Interest received		**103,770**	160,760
Interest paid		**(390)**	(249)
Interest element of hire purchase		**(5,154)**	(6,106)
Net cash inflow from returns on investments and servicing of finance		**98,226**	154,405
Taxation		**(500,718)**	(108,859)
Capital expenditure			
Payments to acquire tangible fixed assets		**(5,159)**	(114,444)
Receipts from sale of fixed assets		**15,750**	221,550
Net cash inflow from capital expenditure		**10,591**	107,106
Equity dividends paid		**(1,084,043)**	(1,532,487)
Financing			
Capital element of hire purchase		**(84,243)**	(81,580)
Net cash outflow from financing		**(84,243)**	(81,580)
Decrease in cash	23	**(1,119,236)**	(217,443)

Notes to the financial statements

1 Turnover

Turnover is wholly attributable to the principal activity.

An analysis of turnover is given below:

	2008	2007
	£	£
United Kingdom	**3,201,062**	3,178,043

2 Other operating charges

	2008	2007
	£	£
Administrative expenses	**1,818,842**	1,731,333

3 Other operating income

	2008	2007
	£	£
Rent receivable	**10,010**	10,200
Other operating income	**175**	–
	10,185	10,200

4 Operating profit

Operating profit is stated after charging/(crediting):

	2008	2007
	£	£
Depreciation of owned fixed assets	**41,585**	64,692
Depreciation of assets held under hire purchase agreements	**62,187**	49,132
Profit/(Loss) on disposal of fixed assets	**(4,610)**	4,937
Auditor's remuneration:		
Audit fees	**10,000**	12,200
Accountancy fees	**3,500**	1,500
Operating lease costs:		
Other	**50,052**	51,000

5 Directors and employees

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

	2008	2007
	No	No
Number of administrative staff	31	31

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	1,039,610	959,885
Social security costs	132,776	127,900
Other pension costs	32,106	30,024
	1,204,492	1,117,809

6 Directors

Remuneration in respect of directors was as follows:

	2008	2007
	£	£
Emoluments receivable	413,009	307,859
Value of company pension contributions to money purchase schemes	16,550	16,484
	429,559	324,343

Emoluments of highest paid director:

	2008	2007
	£	£
Total emoluments (excluding pension contributions)	206,523	125,833
Value of company pension contributions to money purchase schemes	8,275	8,242
	214,798	134,075

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

	2008	2007
	No	No
Money purchase schemes	2	2

7 Interest payable and similar charges

	2008	2007
	£	£
Interest payable on bank borrowing	390	249
Finance charges payable under hire purchase agreements	5,154	6,106
	5,544	6,355

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2008	2007
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	**197,102**	502,733
(Over)/under provision in prior year	**(2,015)**	-
Total current tax	**195,087**	502,733

(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 28% (2007 - 30%).

	2008	2007
	£	£
Profit on ordinary activities before taxation	**584,881**	1,636,751
Profit on ordinary activities by rate of tax	**163,767**	491,025
Expenses not deductible for tax purposes	**13,234**	27,521
Depreciation in excess of capital allowances	**13,522**	(15,813)
(Over)/under provision in prior year	**(2,015)**	-
Other	**6,579**	-
Total current tax (note 8(a))	**195,087**	502,733

9 Dividends

Dividends on shares classed as equity

	2008	2007
	£	£
Paid during the year:		
Equity dividends on ordinary shares	**1,084,043**	919,492
Proposed at the year-end (recognised as a liability):		
Equity dividends on ordinary shares	**–**	612,995

10 Tangible fixed assets

	Computer Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 January 2008	200,150	20,608	390,837	611,595
Additions	3,959	1,200	19,250	24,409
Disposals	–	–	(23,250)	(23,250)
At 31 December 2008	204,109	21,808	386,837	612,754
Depreciation				
At 1 January 2008	186,906	19,619	114,496	321,021
Charge for the year	6,379	737	96,656	103,772
On disposals	–	–	(12,110)	(12,110)
At 31 December 2008	193,285	20,356	199,042	412,683
Net book value				
At 31 December 2008	**10,824**	**1,452**	**187,795**	**200,071**
At 31 December 2007	13,244	989	276,341	290,574

Included within the net book value of £200,071 is £163,011 (2007 - £243,289) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £62,187 (2007 - £49,132).

11 Investments

	Investments £
Cost	
At 1 January 2008 and 31 December 2008	**3,185**
Amounts written off	
At 1 January 2008 and 31 December 2008	**3,184**
Net book value	
At 31 December 2008	**1**
At 31 December 2007	1

12 Debtors

	2008 £	2007 £
Insurance debtors	**1,487,819**	797,014
Other debtors	**112,853**	4,302
Prepayments and accrued income	**51,868**	18,873
	1,652,540	820,189

13 Creditors: amounts falling due within one year

	2008	2007
	£	£
Insurance creditors	**2,442,298**	2,341,618
Amounts owed to group undertakings	**493**	613,488
Corporation tax	**197,102**	502,733
Other taxation and social security	**45,385**	57,686
Amounts due under hire purchase agreements	**35,860**	72,095
Accruals and deferred income	**684,244**	85,138
	3,405,382	3,672,758

14 Creditors: amounts falling due after more than one year

	2008	2007
	£	£
Amounts due under hire purchase agreements	**2,506**	31,264

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

15 Commitments under hire purchase agreements

Future commitments under hire purchase agreements net of future finance lease charges are as follows:

	2008	2007
	£	£
Amounts payable within 1 year	**35,860**	72,095
Amounts payable between 1 and 2 years	**2,506**	31,264
	38,366	103,359

16 Pensions

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

The pension charge for the year was £32,106 (2007 - £30,024).

17 Leasing commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings	
	2008	2007
	£	£
Operating leases which expire:		
Within 1 year	**-**	51,000

18 Related party transactions

At 31 December 2008, the company had the following balances with related parties:

	2008	2007
	£	£
Debtors:		
Morgan Law (Financial Services) Limited	**12,852**	866
P A Smith	**7,008**	3,436
Cullum Capital Ventures Limited	**100,000**	–
Creditors:		
Morgan Law (Holdings) Limited	**(1,493)**	(613,488)
Cullum Capital Ventures Limited	**(437,530)**	(42,426)

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

Expenses amounting to £nil (2007 - £4,318) were paid by Morgan Law Limited on behalf of Morgan Law (Financial Services) Limited.

The company charged Morgan Law (Financial Services) Limited a management charge of £Nil (2007 - £33,333) and rent of £10,010 (2007 - £10,200) during the year.

The company was charged £900,000 (2007 - £45,183) commission by Cullum Capital Ventures Limited.

Cullum Capital Ventures Limited are a significant shareholder in the Company who are able to appoint board members.

Morgan Law (Financial Services) Limited is a company under common control and was part of the same group until October 2007.

Morgan Law (Holdings) Limited is this company's parent company.

Morgan Law Limited has entered into a hire purchase agreement on behalf of Morgan Law (Financial Services) Limited. The balance outstanding at 31 December 2008 was £7,797 (2007 - £18,547).

19 Share capital

Authorised share capital:

	2008	2007
	£	£
10,000 Ordinary shares of £1 each	**10,000**	10,000

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	**1,000**	**1,000**	1,000	1,000

20 Profit and loss account

	2008	2007
	£	£
Balance brought forward	**217,672**	616,141
Profit for the financial year	**389,794**	1,134,018
Equity dividends	**(471,048)**	(1,532,487)
Balance carried forward	**136,418**	217,672

21 Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Profit for the financial year	**389,794**	1,134,018
Equity dividends	**(471,048)**	(1,532,487)
Net reduction to shareholders' funds	**(81,254)**	(398,469)
Opening shareholders' funds	**218,672**	617,141
Closing shareholders' funds	**137,418**	218,672

22 Reconciliation of operating profit to net cash inflow from operating activities

	2008	2007
	£	£
Operating profit	**486,655**	1,482,346
Depreciation	**103,772**	113,824
(Profit)/Loss on disposal of fixed assets	**(4,610)**	4,937
(Increase)/decrease in debtors	**(832,351)**	221,420
Increase/(decrease) in creditors	**687,485**	(578,555)
Net cash inflow from operating activities	**440,951**	1,243,972

23 Reconciliation of net cash flow to movement in net funds

	2008	2007
	£	£
Decrease in cash in the period	**(1,119,236)**	(217,443)
Cash outflow in respect of hire purchase	**84,243**	81,580
Change in net funds resulting from cash flows	**(1,034,993)**	(135,863)
New finance leases	**(19,250)**	(132,240)
Movement in net funds in the period	**(1,054,243)**	(268,103)
Net funds at 1 January 2008	**2,708,571**	2,976,674
Net funds at 31 December 2008	**1,654,328**	2,708,571

24 Analysis of changes in net funds

	At 1 Jan 2008 £	Cash flows £	Other changes £	At 31 Dec 2008 £
Net cash:				
Cash in hand and at bank	2,811,930	(1,119,236)	-	1,692,694
Debt:				
Hire purchase agreements	(103,359)	84,243	(19,250)	(38,366)
Net funds	2,708,571	(1,034,993)	(19,250)	1,654,328

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 £19,250 (2007 - £132,240).

26 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 December 2008 or 31 December 2007.

27 Capital commitments

The directors have confirmed that there were no capital commitments at 31 December 2008 or 31 December 2007.

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.