



Grant Thornton

# Financial statements Morgan Law Limited

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For the Year Ended 31 December 2009



Company No. 2696420

## Company information

|                                    |   |
|------------------------------------|---|
| <b>Company registration number</b> | 2696420   |
| <b>Registered office</b>           | Hyde Park House<br>Crown Street<br>IPSWICH<br>Suffolk<br>IP1 3BJ  |
| <b>Directors</b>                   | P A Smith<br>K F Watson<br>M P Rea  |
| <b>Secretary</b>                   | J E Miller  |
| <b>Auditor</b>                     | Grant Thornton UK LLP<br>Chartered Accountants<br>Statutory Auditor<br>Crown House<br>Crown Street<br>IPSWICH<br>Suffolk<br>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 2009

### **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

### **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  
M P Rea

Mr M P Rea was appointed as a director on 8 December 2009

T D Johnson retired as a director on 8 December 2009

R M Brown retired as a director on 11 May 2010

### **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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

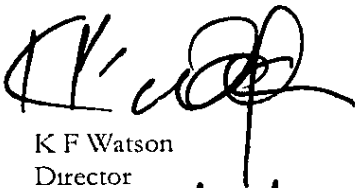
**Auditor**

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.

**Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

ON BEHALF OF THE BOARD



K F Watson  
Director

27/9/10.



## Independent auditor's report to the members of Morgan Law Limited

We have audited the financial statements of Morgan Law Limited for the year ended 31 December 2009 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 to 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

# Independent auditor's report to the members of Morgan Law Limited (continued)

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the report of the directors in accordance with the small companies regime

*Grant Thornton UK LLP*

RICHARD CHAPLIN (Senior Statutory Auditor)  
For and on behalf of  
GRANT THORNTON UK LLP  
STATUTORY AUDITOR  
CHARTERED ACCOUNTANTS

IPSWICH

*28 September 2010*

## Principal accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK 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 | 2009<br>£        | 2008<br>£       |
|---|------|------------------|-----------------|
| Turnover                                      | 1    | 2,865,882        | 3,201,062       |
| Cost of sales                                 |      | <u>1,055,000</u> | <u>905,750</u>  |
| Gross profit                                  |      | 1,810,882        | 2,295,312       |
| Other operating charges                       | 2    | 1,551,321        | 1,818,842       |
| Other operating income                        | 3    | <u>(9,974)</u>   | <u>(10,185)</u> |
| Operating profit                              | 4    | 269,535          | 486,655         |
| Interest receivable                           |      | 18,346           | 103,770         |
| Interest payable and similar charges          | 7    | <u>(5,837)</u>   | <u>(5,544)</u>  |
| Profit on ordinary activities before taxation |      | 282,044          | 584,881         |
| Tax on profit on ordinary activities          | 8    | 65,457           | 195,087         |
| Profit for the financial year                 | 19   | <u>216,587</u>   | <u>389,794</u>  |

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 | 2009<br>£        | 2008<br>£        |
|--|------|------------------|------------------|
| <b>Fixed assets</b>  |      |                  |                  |
| Tangible assets  | 10   | 258,732          | 200,071          |
| Investments  | 11   | 1                | 1                |
|  |      | <u>258,733</u>   | <u>200,072</u>   |
| <b>Current assets</b>  |      |                  |                  |
| Debtors  | 12   | 1,159,644        | 1,652,540        |
| Cash at bank   |      | 1,398,570        | 1,692,694        |
|  |      | <u>2,558,214</u> | <u>3,345,234</u> |
| <b>Creditors: amounts falling due within one year</b>          | 13   | <u>2,514,801</u> | <u>3,405,382</u> |
| <b>Net current assets/(liabilities)</b>                        |      | <u>43,413</u>    | <u>(60,148)</u>  |
| <b>Total assets less current liabilities</b>                   |      | <u>302,146</u>   | <u>139,924</u>   |
| <b>Creditors: amounts falling due after more than one year</b> | 14   | <u>48,141</u>    | <u>2,506</u>     |
|  |      | <u>254,005</u>   | <u>137,418</u>   |
| <b>Capital and reserves</b>                                    |      |                  |                  |
| Called-up equity share capital                                 | 18   | 1,000            | 1,000            |
| Profit and loss account  | 19   | 253,005          | 136,418          |
| <b>Shareholders' funds</b>                                     | 20   | <u>254,005</u>   | <u>137,418</u>   |

These financial statements were approved by the directors and authorised for issue on 27/9/10, and are signed on their behalf by



K F Watson  
Director

27/9/10

Company Registration Number 2696420

## Cash flow statement

|   | Note | 2009<br>£        | 2008<br>£          |
|---|------|------------------|--------------------|
| <b>Net cash inflow from operating activities</b>                            | 21   | 50,827           | 440,951            |
| <b>Returns on investments and servicing of finance</b>                      |      |                  |                    |
| Interest received   |      | 18,346           | 103,770            |
| Interest paid   |      | —                | (390)              |
| Interest element of hire purchase   |      | (5,837)          | (5,154)            |
| <b>Net cash inflow from returns on investments and servicing of finance</b> |      | 12,509           | 98,226             |
| <b>Taxation</b>   |      | (197,051)        | (500,718)          |
| <b>Capital expenditure</b>  |      |                  |                    |
| Payments to acquire tangible fixed assets                                   |      | (2,441)          | (5,159)            |
| Receipts from sale of fixed assets  |      | 106,100          | 15,750             |
| <b>Net cash inflow from capital expenditure</b>                             |      | 103,659          | 10,591             |
| <b>Equity dividends paid</b>  |      | (100,000)        | (1,084,043)        |
| <b>Financing</b>  |      |                  |                    |
| Capital element of hire purchase  |      | (164,068)        | (84,243)           |
| <b>Net cash outflow from financing</b>                                      |      | (164,068)        | (84,243)           |
| <b>Decrease in cash</b>   | 22   | <u>(294,124)</u> | <u>(1,119,236)</u> |

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

## Notes to the financial statements

### 1 Turnover

Turnover is wholly attributable to the principal activity

An analysis of turnover is given below

|                | 2009             | 2008             |
|----------------|------------------|------------------|
|                | £                | £                |
| United Kingdom | <u>2,865,882</u> | <u>3,201,062</u> |

### 2 Other operating charges

|                         | 2009             | 2008             |
|-------------------------|------------------|------------------|
|                         | £                | £                |
| Administrative expenses | <u>1,551,321</u> | <u>1,818,842</u> |

### 3 Other operating income

|                        | 2009         | 2008          |
|------------------------|--------------|---------------|
|                        | £            | £             |
| Rent receivable        | 9,974        | 10,010        |
| Other operating income | —            | 175           |
|                        | <u>9,974</u> | <u>10,185</u> |

### 4 Operating profit

Operating profit is stated after charging/(crediting)

|  | 2009          | 2008          |
|--|---------------|---------------|
|  | £             | £             |
| Depreciation of owned fixed assets                         | 55,378        | 41,585        |
| Depreciation of assets held under hire purchase agreements | 34,413        | 62,187        |
| Profit on disposal of fixed assets                         | (20,956)      | (4,610)       |
| Auditor's remuneration                                     |               |               |
| Audit fees   | 10,000        | 10,000        |
| Accountancy fees   | 3,500         | 3,500         |
| Operating lease costs                                      |               |               |
| - Other  | <u>49,871</u> | <u>50,052</u> |

**5 Directors and employees**

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

|                                | 2009      | 2008      |
|--------------------------------|-----------|-----------|
|                                | No        | No        |
| Number of administrative staff | <u>32</u> | <u>31</u> |

The aggregate payroll costs of the above were

|                       | 2009             | 2008             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Wages and salaries    | 873,694          | 1,039,610        |
| Social security costs | 107,200          | 132,776          |
| Other pension costs   | 29,756           | 32,106           |
|                       | <u>1,010,650</u> | <u>1,204,492</u> |

**6 Directors**

Remuneration in respect of directors was as follows

|  | 2009           | 2008           |
|--|----------------|----------------|
|  | £              | £              |
| Remuneration receivable  | 264,157        | 413,009        |
| Value of company pension contributions to money purchase schemes | 17,600         | 16,550         |
|  | <u>281,757</u> | <u>429,559</u> |

Remuneration of highest paid director

|  | 2009           | 2008           |
|--|----------------|----------------|
|  | £              | £              |
| Total remuneration (excluding pension contributions)             | 97,850         | 206,523        |
| Value of company pension contributions to money purchase schemes | 8,800          | 8,275          |
|  | <u>106,650</u> | <u>214,798</u> |

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

|                        | 2009     | 2008     |
|------------------------|----------|----------|
|                        | No       | No       |
| Money purchase schemes | <u>2</u> | <u>2</u> |

**7 Interest payable and similar charges**

|  | 2009         | 2008         |
|--|--------------|--------------|
|  | £            | £            |
| Interest payable on bank borrowing                     | –            | 390          |
| Finance charges payable under hire purchase agreements | 5,837        | 5,154        |
|  | <u>5,837</u> | <u>5,544</u> |

**8 Taxation on ordinary activities**

(a) Analysis of charge in the year

|  | 2009<br>£     | 2008<br>£      |
|--|---------------|----------------|
| Current tax  |               |                |
| UK Corporation tax based on the results for the year at 28% (2008 - 28%) | 65,508        | 197,102        |
| (Over)/under provision in prior year                                     | (51)          | (2,015)        |
| Total current tax  | <u>65,457</u> | <u>195,087</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 - 28%)

|   | 2009<br>£      | 2008<br>£      |
|---|----------------|----------------|
| Profit on ordinary activities before taxation | <u>282,044</u> | <u>584,881</u> |
| Profit on ordinary activities by rate of tax  | 78,972         | 163,767        |
| Expenses not deductible for tax purposes      | 11,588         | 13,234         |
| Depreciation in excess of capital allowances  | (19,847)       | 13,522         |
| Marginal relief                               | (5,205)        | -              |
| (Over)/under provision in prior year          | (51)           | (2,015)        |
| Other   | -              | 6,579          |
| Total current tax (note 8(a))                 | <u>65,457</u>  | <u>195,087</u> |

**9 Dividends**

**Dividends on shares classed as equity**

|                                     | 2009<br>£      | 2008<br>£        |
|-------------------------------------|----------------|------------------|
| Paid during the year                |                |                  |
| Equity dividends on ordinary shares | <u>100,000</u> | <u>1,084,043</u> |

# 10 Tangible fixed assets

|                     | Computer<br>Equipment<br>£ | Fixtures &<br>Fittings<br>£ | Motor<br>Vehicles<br>£ | Total<br>£     |
|---------------------|----------------------------|-----------------------------|------------------------|----------------|
| Cost                |                            |                             |                        |                |
| At 1 January 2009   | 204,109                    | 21,808                      | 386,837                | 612,754        |
| Additions           | 2,441                      | –                           | 231,155                | 233,596        |
| Disposals           | –                          | –                           | (275,395)              | (275,395)      |
| At 31 December 2009 | <u>206,550</u>             | <u>21,808</u>               | <u>342,597</u>         | <u>570,955</u> |
| Depreciation        |                            |                             |                        |                |
| At 1 January 2009   | 193,285                    | 20,356                      | 199,042                | 412,683        |
| Charge for the year | 5,507                      | 482                         | 83,802                 | 89,791         |
| On disposals        | –                          | –                           | (190,251)              | (190,251)      |
| At 31 December 2009 | <u>198,792</u>             | <u>20,838</u>               | <u>92,593</u>          | <u>312,223</u> |
| Net book value      |                            |                             |                        |                |
| At 31 December 2009 | <u>7,758</u>               | <u>970</u>                  | <u>250,004</u>         | <u>258,732</u> |
| At 31 December 2008 | <u>10,824</u>              | <u>1,452</u>                | <u>187,795</u>         | <u>200,071</u> |

Included within the net book value of £258,732 is £213,585 (2008 - £163,011) 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 £34,413 (2008 - £62,187).

# 11 Investments

|  | Investments<br>£ |
|--|------------------|
| Cost                                     |                  |
| At 1 January 2009 and 31 December 2009   | <u>3,185</u>     |
| Amounts written off                      |                  |
| At 1 January 2009 and 31 December 2009   | <u>3,184</u>     |
| Net book value                           |                  |
| At 31 December 2009 and 31 December 2008 | <u>1</u>         |

# 12 Debtors

|                                | 2009<br>£        | 2008<br>£        |
|--------------------------------|------------------|------------------|
| Insurance debtors              | 1,089,666        | 1,487,819        |
| Other debtors                  | 19,330           | 112,853          |
| Prepayments and accrued income | 50,648           | 51,868           |
|                                | <u>1,159,644</u> | <u>1,652,540</u> |



**13 Creditors: amounts falling due within one year**

|  | 2009             | 2008             |
|--|------------------|------------------|
|  | £                | £                |
| Insurance creditors                        | 1,750,435        | 2,442,298        |
| Amounts owed to group undertakings         | 493              | 493              |
| Corporation tax                            | 65,508           | 197,102          |
| Other taxation and social security         | 39,505           | 45,385           |
| Amounts due under hire purchase agreements | 57,312           | 35,860           |
| Accruals and deferred income               | 601,548          | 684,244          |
|  | <u>2,514,801</u> | <u>3,405,382</u> |

**14 Creditors: amounts falling due after more than one year**

|  | 2009          | 2008         |
|--|---------------|--------------|
|  | £             | £            |
| Amounts due under hire purchase agreements | <u>48,141</u> | <u>2,506</u> |

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

|                                       | 2009           | 2008          |
|---------------------------------------|----------------|---------------|
|                                       | £              | £             |
| Amounts payable within 1 year         | 57,312         | 35,860        |
| Amounts payable between 1 and 2 years | 39,773         | 2,506         |
| Amounts payable between 3 and 5 years | 8,368          | -             |
|                                       | <u>105,453</u> | <u>38,366</u> |

**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 cost charge for the year was £29,756 (2008 - £32,106)

**17 Related party transactions**

At 31 December 2009, the company had the following balances with related parties

|   | 2009<br>£ | 2008<br>£ |
|---|-----------|-----------|
| Debtors                                 |           |           |
| Morgan Law (Financial Services) Limited | 19,330    | 12,852    |
| P A Smith                               | 5,780     | 7,008     |
| Cullum Capital Ventures Limited         | 200,000   | 100,000   |
| Creditors                               |           |           |
| Morgan Law (Holdings) Limited           | (493)     | (493)     |
| K F Watson                              | (363)     | —         |
| Cullum Capital Ventures Limited         | (297,426) | (437,530) |

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

The company charged Morgan Law (Financial Services) Limited rent of £9,974 (2008 - £10,010) during the year

The company was charged £1,055,000 (2008 - £900,000) commission by Cullum Capital Ventures Limited

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

Morgan Law (Financial Services) Limited is a company under common control

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 2009 was £1,871 (2008 - £7,697)

During the year Morgan Law Limited paid expenses on behalf of Morgan Law (Financial Services) Limited amounting to £6,476 (2008 - £nil)

During the year dividends of £100,000 (2008 - £1,084,043) were paid to Morgan Law Holdings

**18 Share capital**

Authorised share capital

|                                    | 2009<br>£          | 2008<br>£          |
|------------------------------------|--------------------|--------------------|
| 10,000 Ordinary shares of £1 each  | <u>10,000</u>      | <u>10,000</u>      |
| Allotted, called up and fully paid |                    |                    |
|                                    | 2009               | 2008               |
|                                    | No<br><u>1,000</u> | No<br><u>1,000</u> |
|                                    | £<br><u>1,000</u>  | £<br><u>1,000</u>  |
| 1,000 Ordinary shares of £1 each   |                    |                    |

**19 Profit and loss account**

|                               | 2009           | 2008           |
|-------------------------------|----------------|----------------|
|                               | £              | £              |
| Balance brought forward       | 136,418        | 217,672        |
| Profit for the financial year | 216,587        | 389,794        |
| Equity dividends              | (100,000)      | (471,048)      |
| Balance carried forward       | <u>253,005</u> | <u>136,418</u> |

**20 Reconciliation of movements in shareholders' funds**

|   | 2009           | 2008            |
|---|----------------|-----------------|
|   | £              | £               |
| Profit for the financial year                   | 216,587        | 389,794         |
| Equity dividends                                | (100,000)      | (471,048)       |
| Net addition/(reduction) to shareholders' funds | <u>116,587</u> | <u>(81,254)</u> |
| Opening shareholders' funds                     | <u>137,418</u> | <u>218,672</u>  |
| Closing shareholders' funds                     | <u>254,005</u> | <u>137,418</u>  |

**21 Reconciliation of operating profit to net cash inflow from operating activities**

|   | 2009          | 2008           |
|---|---------------|----------------|
|   | £             | £              |
| Operating profit                          | 269,535       | 486,655        |
| Depreciation                              | 89,791        | 103,772        |
| Profit on disposal of fixed assets        | (20,956)      | (4,610)        |
| Decrease/(increase) in debtors            | 492,896       | (832,351)      |
| (Decrease)/increase in creditors          | (780,439)     | 687,485        |
| Net cash inflow from operating activities | <u>50,827</u> | <u>440,951</u> |

**22 Reconciliation of net cash flow to movement in net funds**

|   | 2009             | 2008               |
|---|------------------|--------------------|
|   | £                | £                  |
| Decrease in cash in the period                | (294,124)        | (1,119,236)        |
| Cash outflow in respect of hire purchase      | <u>164,068</u>   | <u>84,243</u>      |
| Change in net funds resulting from cash flows | (130,056)        | (1,034,993)        |
| New finance leases                            | <u>(231,155)</u> | <u>(19,250)</u>    |
| Movement in net funds in the period           | <u>(361,211)</u> | <u>(1,054,243)</u> |
| Net funds at 1 January 2009                   | <u>1,654,328</u> | <u>2,708,571</u>   |
| Net funds at 31 December 2009                 | <u>1,293,117</u> | <u>1,654,328</u>   |

**23 Analysis of changes in net funds**

|                          | At<br>1 Jan 2009<br>£ | Cash flows<br>£  | Other<br>changes<br>£ | At<br>31 Dec 2009<br>£ |
|--------------------------|-----------------------|------------------|-----------------------|------------------------|
| Net cash                 |                       |                  |                       |                        |
| Cash in hand and at bank | <u>1,692,694</u>      | <u>(294,124)</u> | <u>—</u>              | <u>1,398,570</u>       |
| Debt                     |                       |                  |                       |                        |
| Hire purchase agreements | <u>(38,366)</u>       | <u>164,068</u>   | <u>(231,155)</u>      | <u>(105,453)</u>       |
| Net funds                | <u>1,654,328</u>      | <u>(130,056)</u> | <u>(231,155)</u>      | <u>1,293,117</u>       |

**24 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 £231,155 (2008 - £19,250)

**25 Contingencies**

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 December 2009 or 31 December 2008

**26 Capital commitments**

The directors have confirmed that there were no capital commitments at 31 December 2009 or 31 December 2008

**27 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