



BDO Stoy Hayward
Chartered Accountants

Morgan Law Limited

Report and Financial Statements

Year Ended

31 December 2001

2696420



MORGAN LAW LIMITED

Annual report and financial statements for the year ended 31 December 2001

Contents

Page:

1	Report of the directors
3	Report of the independent auditors
4	Profit and loss account
5	Statement of total recognised gains and losses and reconciliation of movement in shareholders' funds
6	Balance sheet
7	Cash flow statement
8	Notes forming part of the financial statements

Directors

PA Smith
KF Watson

Secretary and registered office

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

Company number

2696420

MORGAN LAW LIMITED

Report of the directors for the year ended 31 December 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Results and dividend

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 is the provision of insurance services.

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

Charitable contributions

During the year the company made charitable contributions of £135.

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.

MORGAN LAW LIMITED

Report of the directors for the year ended 31 December 2001 *(Continued)*

Directors' responsibilities

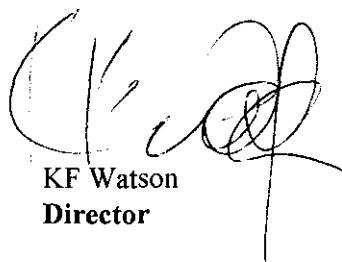
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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.

On behalf of the Board

24/12/02



KF Watson
Director

MORGAN LAW LIMITED**Independent auditors' report to the shareholders of Morgan Law Limited**

We have audited the financial statements of Morgan Law Limited for the year ended 31 December 2001 on pages 4 to 16. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

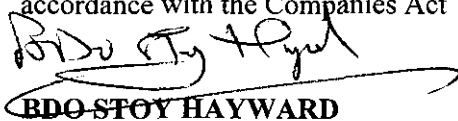
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2001 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

30 December 2002



MORGAN LAW LIMITED

Profit and loss account for the year ended 31 December 2001

	Note	£	2001 £	2000 £
Turnover	2		2,578,911	2,365,801
Cost of sales			(79,470)	(15,011)
Gross profit			2,499,441	2,350,790
Administrative expenses			(1,949,360)	(1,933,889)
Other operating income			10,000	30,000
Operating profit	5		560,081	446,901
Interest receivable			99,194	65,082
Interest payable and similar charges	6		(16,118)	(12,260)
Profit on ordinary activities before taxation			643,157	499,723
Tax on profit on ordinary activities	7		(209,211)	14,237
Profit on ordinary activities after taxation			433,946	513,960
Dividend	8		(160,000)	(260,000)
Retained profit for the year			273,946	253,960
Retained profit brought forward			570,695	316,735
Retained profit carried forward			844,641	570,695

All amounts relate to continuing activities.

The notes on pages 8 to 16 form part of these financial statements.

MORGAN LAW LIMITED

Statement of total recognised gains and losses and reconciliation of movement in shareholders' funds for the year ended 31 December 2001

	2001 £	2000 £
Statement of total recognised gains and losses		
Profit for the financial year	433,946	513,960
Prior year adjustment	-	208,732
Total recognised gains and losses since last annual report	<u>433,946</u>	<u>722,692</u>
 Reconciliation of movement in shareholders' funds		
Profit for the financial year	433,946	513,960
Dividends	(160,000)	(260,000)
Net addition to shareholders' funds	<u>273,946</u>	<u>253,960</u>
Opening shareholders' funds	571,695	317,735
Closing shareholders' funds	<u>845,641</u>	<u>571,695</u>

The notes on pages 8 to 16 form part of these financial statements.

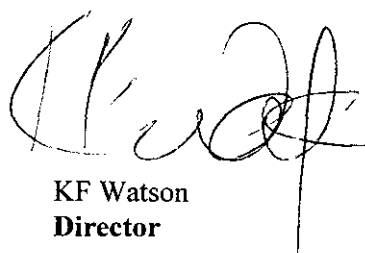
MORGAN LAW LIMITED

Balance sheet at 31 December 2001

	Note	2001	2000
		£	£
Fixed assets			
Intangible assets	9	7,575	17,675
Tangible assets	10	354,834	345,906
Investments	11	1	1
		<u>362,410</u>	<u>363,582</u>
Current assets			
Stocks		-	9,304
Debtors	12	3,461,347	3,276,405
Cash at bank and in hand		2,892,626	1,238,951
		<u>6,353,973</u>	<u>4,524,660</u>
Creditors: amounts falling due within one year	13	<u>5,821,740</u>	<u>4,244,053</u>
Net current assets		<u>532,233</u>	<u>280,607</u>
		<u>894,643</u>	<u>644,189</u>
Creditors: amounts falling due after more than one year	14	<u>49,002</u>	<u>72,494</u>
Net assets		<u>845,641</u>	<u>571,695</u>
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account		844,641	570,695
Shareholder's funds		<u>845,641</u>	<u>571,695</u>

All shareholder's funds are attributable to equity interests.

The financial statements were approved by the Board on 24/12/02


KF Watson
Director

The notes on pages 8 to 16 form part of these financial statements.

MORGAN LAW LIMITED

Cash flow statement for the year ended 31 December 2001

	Note	2001 £	2000 £
Net cash inflow/(outflow) from operating activities	17	2,152,528	(481,001)
Returns on investments and servicing of finance			
Interest received		99,194	65,082
Interest paid		(2,207)	(452)
Interest element of hire purchase contracts		(13,911)	(11,808)
Net cash inflow from returns on investments and servicing of finance		83,076	52,822
Taxation			
Corporation tax paid		(130,000)	(150,000)
Capital expenditure			
Payments to acquire tangible fixed assets		(118,769)	(49,766)
Receipts from sales of tangible fixed assets		96,382	41,500
Net cash outflow from capital expenditure		(22,387)	(8,266)
Net cash inflow/(outflow) before financing		2,083,217	(586,445)
Equity dividends paid		(320,000)	(100,000)
Financing			
Capital element of hire purchase repayments	18	(109,542)	(72,641)
Net cash outflow from financing		(109,542)	(72,641)
Increase/(decrease) in cash	20	1,653,675	(759,086)

The notes on pages 8 to 16 form part of these financial statements.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 2001

1 Accounting policies

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

Turnover

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

Insurance debtors and creditors

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.

Goodwill

Goodwill, arising on an acquisition of a business, is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors estimate of its useful economic life of 10 years. Impairment tests on the carrying value of goodwill are undertaken annually and sooner if events or changes in circumstances indicate that the carrying value may not be recoverable.

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 at the following rates:

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 2001 *(Continued)*

1 Accounting policies *(Continued)*

Hire purchase contracts

Assets obtained under hire purchase contracts 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 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 operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

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

2 Turnover

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

3 Employees

Staff costs consist of:	2001 £	2000 £
Wages and salaries	1,040,193	1,080,664
Social security costs	133,928	122,086
Other pension costs	83,868	32,876
	<u>1,257,989</u>	<u>1,235,626</u>

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

	2001 Number	2000 Number
Administration and selling	<u>36</u>	<u>37</u>

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 2001 *(Continued)*

4 Directors

	2001 £	2000 £
Directors' emoluments consist of:		
Remuneration for management services	398,659	487,993
Payments to defined contribution pension scheme	74,800	24,000
	<u>473,459</u>	<u>511,993</u>
Emoluments of highest paid director:		
Emoluments	203,068	273,238
Amounts paid to the company's defined contribution pension scheme	37,400	12,000
	<u>240,468</u>	<u>285,238</u>

The two (2000 – 2) directors were members of the company's defined contribution scheme during the year.

5 Operating profit

	2001 £	2000 £
This has been arrived at after charging/(crediting):		
Depreciation	125,565	136,415
Profit on sale of tangible fixed assets	(13,378)	(2,581)
Amortisation of goodwill	10,100	10,100
Auditors' remuneration - audit services	12,000	12,000
- non audit services	2,000	2,000
Rent of office - payable	39,226	39,226
- receivable	(7,845)	(7,845)
Management charge to fellow subsidiary	(10,000)	(30,000)

6 Interest payable and similar charges

	2001 £	2000 £
Bank overdraft	2,207	452
Hire purchase contracts	13,911	11,808
	<u>16,118</u>	<u>12,260</u>

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

7 Tax on profit on ordinary activities

	2001 £	2000 £
UK corporation tax		
Current year	209,211	189,736
Prior year	-	(203,973)
	<u>209,211</u>	<u>(14,237)</u>

8 Dividend

	2001 £	2000 £
Ordinary paid - £100 per share	-	100,000
Ordinary proposed - £160 per share	160,000	160,000
	<u>160,000</u>	<u>260,000</u>

9 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At 1 January 2001 and 31 December 2001	<u>101,000</u>
<i>Amortisation</i>	
At 1 January 2001	83,325
Provided for the year	10,100
At 31 December 2001	<u>93,425</u>
<i>Net book value</i>	
At 31 December 2001	<u>7,575</u>
At 31 December 2000	<u>17,675</u>

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

10 Tangible assets

	Motor vehicles	Computer equipment	Fixtures, fittings and equipment	Total
<i>Cost</i>	£	£	£	£
At 1 January 2001	401,009	172,711	110,214	683,934
Additions	257,062	4,841	1,812	263,715
Disposals	(233,882)	(78,314)	(101,541)	(413,737)
At 31 December 2001	424,189	99,238	10,485	533,912
<i>Depreciation</i>				
At 1 January 2001	132,980	108,857	96,191	338,028
Provided for the year	85,392	28,655	11,518	125,565
Disposals	(104,719)	(78,305)	(101,491)	(284,515)
At 31 December 2001	113,653	59,207	6,218	179,078
<i>Net book value</i>				
At 31 December 2001	310,536	40,031	4,267	354,834
At 31 December 2000	268,029	63,854	14,023	345,906

The net book value of tangible fixed assets includes an amount of £301,286 (2000 - £294,555) in respect of assets held under hire purchase contracts. The related depreciation charge for the period was £75,246 (2000 - £63,170).

11 Investments

The company's holding of shares in 'Broker Development Plc':

	£
<i>Cost</i>	
At 1 January 2001 and 31 December 2001	3,185
<i>Provision for diminution in value</i>	
At 1 January 2001 and 31 December 2001	3,184
<i>Net book value</i>	
At 31 December 2000 and 31 December 2001	1

MORGAN LAW LIMITEDNotes forming part of the financial statements for the year ended 31 December 2001 *(Continued)***12 Debtors**

	2001 £	2000 £
Insurance debtors	3,331,723	2,812,063
Amounts due from subsidiary undertaking (note 22)	47,069	69,017
Directors' loan accounts (note 22)	20,630	354,105
Prepayments	61,925	41,220
	<u>3,461,347</u>	<u>3,276,405</u>

13 Creditors: amounts falling due within one year

	2001 £	2000 £
Insurance creditors	4,621,759	2,926,110
Amounts due to parent company (note 22)	493	493
Tax and social security	33,110	24,685
Dividend proposed	160,000	320,000
Company taxation	434,809	355,598
Obligations under hire purchase contracts (note 14)	80,678	68,000
Accruals	346,962	549,167
Directors' loan accounts (note 22)	143,929	-
	<u>5,821,740</u>	<u>4,244,053</u>

14 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Obligations under hire purchase contracts due to expire within 2 to 5 years	<u>49,002</u>	<u>72,494</u>

Obligations under hire purchase contracts are secured on the underlying assets.

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 2001 *(Continued)*

15 Share capital

	Authorised		Allotted, called up and fully paid	
	2001	2000	2001	2000
	£	£	£	£
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>1,000</u>	<u>1,000</u>

16 Commitments under operating leases

As at 31 December 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	Property	
	2001	2000
	£	£
Operating leases which expire:		
Over five years	<u>39,226</u>	<u>39,226</u>

17 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2001	2000
	£	£
Operating profit	560,081	446,901
Depreciation and amortisation	135,665	146,515
Profit on sale of fixed assets	(13,378)	(2,581)
Decrease in stocks	9,304	-
Increase in debtors	(184,942)	(1,518,868)
Increase in creditors	<u>1,645,798</u>	<u>447,032</u>
Net cash inflow/(outflow) from operating activities	<u>2,152,528</u>	<u>(481,001)</u>

MORGAN LAW LIMITED

Notes forming part of the financial statements for the year ended 31 December 2001 *(Continued)*

18 Analysis of changes in financing during the year

	Hire purchase contracts	
	2001	2000
	£	£
Balance at 1 January 2001	140,494	61,003
New hire purchase contracts	98,728	152,132
Capital element of hire purchase payments	(109,542)	(72,641)
Balance at 31 December 2001	129,680	140,494

19 Reconciliation of net cashflow to movement in net funds

	2001	2000
	£	£
Increase/(decrease) in cash in the year	2,352,206	(759,086)
Cash outflow from hire purchase contracts	109,542	72,641
	<u>2,461,748</u>	<u>(686,445)</u>
New hire purchase contracts	(98,728)	(152,132)
	<u>2,363,020</u>	<u>(838,577)</u>
Movement in net funds in the year	1,098,457	1,937,034
Net funds at 1 January 2001		
Net funds at 31 December 2001	3,461,477	1,098,457

20 Analysis of net funds

	At start of year	Cash flow	Non cash changes	At end of year
	£	£	£	£
Cash at bank and in hand	1,238,951	1,653,675	-	2,892,626
Hire purchase contracts	(140,494)	109,542	(98,728)	(129,680)
	<u>1,098,457</u>	<u>1,763,217</u>	<u>(98,728)</u>	<u>2,762,946</u>

21 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 2001 *(Continued)*

22 Related party transactions

At 31 December 2001, the company had the following balances with related parties:

	2001 £	2000 £
Debtors (note 12)		
Morgan Law (Financial Services) Limited	47,069	69,017
KF Watson	20,630	213,130
PA Smith	-	140,975
	<u> </u>	<u> </u>
Creditors: amounts falling due within one year (note 13)		
Morgan Law (Holdings) Limited	493	493
PA Smith	143,929	-
	<u> </u>	<u> </u>

During the year expenses amounting to £16,078 were paid by Morgan Law Limited on behalf of Morgan Law (Financial Services) Limited, its fellow subsidiary undertaking.

The company charged Morgan Law Financial Services Limited a management charge of £10,000 (2000 - £30,000) during the year.

Also during the year the following were transferred from Morgan Law Financial Services Limited to Morgan Law Limited via the inter company accounts:

KF Watson	- Director's loan account	£130,000
PA Smith	- Director's loan account	£219,904

Also during the year two bank accounts with total funds of £387,931 were transferred from Morgan Law Financial Services Limited to Morgan Law Limited via the inter company account.

23 Parent company

At 31 December 2001 the company's parent company was Morgan Law (Holdings) Limited, copies of whose accounts are available from Companies House.