Morgan Law Limited

Financial statements

For the year ended 31 December 2006

Grant Thornton

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COMPANIES HOUSE

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
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 2006.

Principal activities and business review
The principal activity of the company during the year was the provision of insurance services.

The directors are pleased that turnover has increased by 5 7% despite a competitive insurance market. This performance has been achieved both through gaining new work and also retaining a high percentage of existing clients.
The company anticipates improved performance in the coming year and will continue to focus on client service.
The directors consider that the main key performance indicator is turnover. This increased by 5.7% from £2,849,590 to £3,012,564 in the year

Results and dividends
The profit for the year, after taxation, amounted to £204,250. The directors have not recommended a dividend.

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

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

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 auditors are 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 auditors are aware of that information.

Auditor
Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

K F Watson
Director

5 September 2007

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 2006 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 2006 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

5 September 2007

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	2006 £	2005 £
Turnover	1	3,012,564	2,849,590
Cost of sales		(44,188)	147,574
Gross profit		3,056,752	2,702,016
Other operating charges	2	2,893,074	2,556,161
Other operating income	3	(10,200)	(10,200)
Operating profit	4	173,878	156,055
Interest receivable		123,177	128,533
Interest payable and similar charges	7	(6,300)	(8,055)
Profit on ordinary activities before taxation		290,755	276,533
Tax on profit on ordinary activities	8	86,505	104,266
Profit for the financial year	20	204,250	172,267

All of the activities of the company are classed as continuing

There are no other gains or losses for the year other than those stated above

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	10	384,201	482,995
Investments	11	1	1
		384,202	482,996
Current assets			
Debtors	12	1,041,609	1,244,348
Cash at bank		3,029,373	2,448,015
		4,070,982	3,692,363
Creditors: amounts falling due within one year	13	3,832,276	3,732,074
Net current assets/(liabilities)		238,706	(39,711)
Total assets less current liabilities		622,908	443,285
Creditors: amounts falling due after more than one year	14	5,767	30,394
		617,141	412,891
Capital and reserves			
Called-up equity share capital	19	1,000	1,000
Profit and loss account	20	616,141	411,891
Shareholders' funds	21	617,141	412,891

These financial statements were approved by the directors on 5 September 2007 and are signed on their behalf by:

K F Watson
Director

Cash flow statement

	Note	2006 £	2005 £
Net cash inflow/(outflow) from operating activities	22	636,614	(549,358)
Returns on investments and servicing of finance			
Interest received		123,177	128,533
Interest paid		(195)	(790)
Interest element of finance leases and hire purchase		(6,105)	(7,265)
Net cash inflow from returns on investments and servicing of finance		116,877	120,478
Taxation		(81,914)	(73,692)
Capital expenditure			
Payments to acquire tangible fixed assets		(141,730)	(337,700)
Receipts from sale of fixed assets		163,000	238,000
Net cash inflow/(outflow) from capital expenditure		21,270	(99,700)
Equity dividends paid		-	(620,000)
Financing			
Capital element of finance leases and hire purchase		(111,489)	(72,284)
Net cash outflow from financing		(111,489)	(72,284)
Increase/(decrease) in cash	23	581,358	(1,294,556)

Notes to the financial statements

1 Turnover

Turnover is wholly attributable to the principal activity.

An analysis of turnover is given below

	2006	2005
	£	£
United Kingdom	3,012,564	2,849,590

2 Other operating charges

	2006	2005
	£	£
Administrative expenses	2,893,074	2,556,161

3 Other operating income

	2006	2005
	£	£
Rent receivable	10,200	10,200

4 Operating profit

Operating profit is stated after charging/(crediting)

	2006	2005
	£	£
Depreciation of owned fixed assets	83,653	105,891
Depreciation of assets held under finance leases and hire purchase agreements	68,097	60,600
Profit on disposal of fixed assets	(10,394)	(18,741)
Auditor's remuneration:		
Fees for the audit of the company	14,200	11,900
Taxation services	1,850	950
Operating lease costs:		
Other	51,000	51,000

5 Directors and employees

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

	2006	2005
	No	No
Number of administrative staff	34	34

The aggregate payroll costs of the above were

	2006	2005
	£	£
Wages and salaries	1,811,527	1,459,466
Social security costs	240,522	197,688
Other pension costs	145,100	139,491
	2,197,149	1,796,645

6 Directors

Remuneration in respect of directors was as follows:

	2006	2005
	£	£
Emoluments receivable	1,229,567	873,085
Value of company pension contributions to money purchase schemes	132,400	127,750
	1,361,967	1,000,835

Emoluments of highest paid director

	2006	2005
	£	£
Total emoluments (excluding pension contributions)	620,396	444,265
Value of company pension contributions to money purchase schemes	66,200	63,875
	686,596	508,140

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

	2006	2005
	No	No
Money purchase schemes	2	2

7 Interest payable and similar charges

	2006	2005
	£	£
Interest payable on bank borrowing	195	790
Finance charges	6,105	7,265
	6,300	8,055

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006 £	2005 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	108,859	104,266
(Over)/under provision in prior year	(22,354)	-
Total current tax	86,505	104,266

(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 30% (2005 - 30%)

	2006 £	2005 £
Profit on ordinary activities before taxation	290,755	276,533
Profit/(loss) on ordinary activities by rate of tax	87,227	82,960
Expenses not deductible for tax purposes	23,901	16,552
Depreciation in excess of capital allowances	7,483	4,597
Marginal relief	(9,752)	-
(Over)/under provision in prior year	(22,354)	(2)
Other	-	159
Total current tax (note 8(a))	86,505	104,266

9 Dividends

Dividends on shares classed as equity

	2006 £	2005 £
Paid during the year:		
Equity dividends on ordinary shares	-	620,000

10 Tangible fixed assets

	Computer Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 January 2006	191,099	19,883	622,003	832,985
Additions	1,490	725	203,347	205,562
Disposals	-	-	(274,417)	(274,417)
At 31 December 2006	192,589	20,608	550,933	764,130
Depreciation				
At 1 January 2006	156,250	15,962	177,778	349,990
Charge for the year	17,658	2,426	131,666	151,750
On disposals	-	-	(121,811)	(121,811)
At 31 December 2006	173,908	18,388	187,633	379,929
Net book value				
At 31 December 2006	18,681	2,220	363,300	384,201
At 31 December 2005	34,849	3,921	444,225	482,995

Included within the net book value of £384,201 is £196,871 (2005 - £281,677) relating to assets held under finance leases and hire purchase agreements The depreciation charged to the financial statements in the year in respect of such assets amounted to £68,097 (2005 - £60,600)

11 Investments

	Investments £
Cost	
At 1 January 2006 and 31 December 2006	3,185
Amounts written off	
At 1 January 2006 and 31 December 2006	3,184
Net book value	
At 31 December 2006	1
At 31 December 2005	1

12 Debtors

	2006	2005
	£	£
Insurance debtors	880,703	1,073,872
Amounts owed by group undertakings	43,646	80,000
Other debtors	87,310	-
Prepayments and accrued income	29,950	90,476
	1,041,609	1,244,348

The company has signed formal Loan Subordination agreements in respect of £13,000 (2005 - £80,000) owed by group undertakings The conditions for repayment of this loan have been met since the year end and hence repayment is now due within one year.

13 Creditors: amounts falling due within one year

	2006	2005
	£	£
Insurance creditors	2,468,641	2,326,811
Amounts owed to group undertakings	493	44,700
Corporation tax	108,859	104,268
Other taxation and social security	-	37,250
Amounts due under finance leases and hire purchase agreements	46,932	69,962
Directors current accounts	-	162,415
Accruals and deferred income	1,207,351	986,668
	3,832,276	3,732,074

14 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Amounts due under finance leases and hire purchase agreements	5,767	30,394

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

15 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows

	2006	2005
	£	£
Amounts payable within 1 year	46,932	69,962
Amounts payable between 1 and 2 years	5,767	30,394
	52,699	100,356

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 £145,100 (2005 - £139,491).

17 Leasing commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings 2006	2005
	£	£
Operating leases which expire:		
Within 2 to 5 years	51,000	51,000

18 Related party transactions

At 31 December 2006, the company had the following balances with related parties:

	2006	2005
	£	£
Debtors:		
Morgan Law (Financial Services) Limited	43,646	80,000
P A Smith	54,733	-
K F Watson	31,025	-

The maximum amounts outstanding during the year were £54,733 and £31,025 by P A Smith and K F Watson respectively.

Creditors:		
Morgan Law (Holdings) Limited	(493)	(493)
Morgan Law (Financial Services) Limited	-	(44,207)
P A Smith	-	(18,207)
K F Watson	-	(75,771)

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

Expenses amounting to £7,852 (2005 - £16,377) were paid by Morgan Law Limited on behalf of Morgan Law (Financial Services) Limited, its fellow subsidiary.

Expenses amounting to £Nil (2005 - £47,739) were paid by Morgan Law (Financial Services) Limited on behalf of Morgan Law Limited.

The company charged Morgan Law (Financial Services) Limited a management charge of £40,000 (2005 - £40,000) and rent of £10,200 (2005 - £10,200) during the year

19 Share capital

Authorised share capital:

	2006	2005
	£	£
10,000 Ordinary shares of £1 each	10,000	10,000

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

20 Profit and loss account

	2006	2005
	£	£
Balance brought forward as previously reported	411,891	799,624
Prior year adjustment	-	60,000
Balance brought forward restated	411,891	859,624
Profit for the financial year	204,250	172,267
Equity dividends paid	-	(620,000)
Balance carried forward	616,141	411,891

21 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Profit for the financial year	204,250	172,267
Equity dividends paid	-	(620,000)
Net addition/(reduction) to shareholders' funds	204,250	(447,733)
Opening shareholders' funds	412,891	800,624
Prior year adjustment	-	60,000
Closing shareholders' funds	617,141	412,891

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

	2006	2005
	£	£
Operating profit	173,878	156,055
Depreciation	151,750	166,491
Profit on disposal of fixed assets	(10,394)	(18,741)
Decrease in debtors	202,739	296,420
Increase/(decrease) in creditors	118,641	(1,149,583)
Net cash inflow/(outflow) from operating activities	636,614	(549,358)

23 Reconciliation of net cash flow to movement in net funds

	2006	2005
	£	£
Increase/(decrease) in cash in the period	581,358	(1,294,556)
Cash outflow in respect of finance leases and hire purchase	111,489	72,284
Change in net funds resulting from cash flows	692,847	(1,222,272)
New finance leases	(63,832)	(104,590)
Movement in net funds in the period	629,015	(1,326,862)
Net funds at 1 January 2006	2,347,659	3,674,521
Net funds at 31 December 2006	2,976,674	2,347,659

24 Analysis of changes in net funds

	At 1 Jan 2006 £	Cash flows £	Other changes £	At 31 Dec 2006 £
Net cash:				
Cash in hand and at bank	2,448,015	581,358	-	3,029,373
Debt:				
Finance leases and hire purchase agreements	(100,356)	111,489	(63,832)	(52,699)
Net funds	2,347,659	692,847	(63,832)	2,976,674

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 £63,832 (2005 - £104,590).

26 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 December 2006 or 31 December 2005.

27 Capital commitments

The directors have confirmed that there were no capital commitments at 31 December 2006 or 31 December 2005.

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.