London Wall Insurance Services Limited

Report and Financial Statements

Year ended 31 December 1999

Registered number: 1325167

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Directors	R T Rogers	
	G K Moore	
	N A Johnson	(resigned 21 January 2000)
	W R Henderson	(appointed 21 January 2000)
	G W Spellins	(appointed 21 January 2000)
Secretary	D A Ives	(appointed 21 January 2000)
	G K Moore	(resigned 21 January 2000)
Registered office	RAC House 1 Forest Road Feltham TW13 7RR	
Company no.	1325167	
Auditors	PricewaterhouseCoopers Southwark Towers 32 London Bridge Street London SE1 9SY	

The directors present their report and the audited financial statements for the year ended 31 December 1999.

Results for the year

The results of the company for the year are set out on page 3 and shows the operating loss for the year.
The directors do not propose the payment of a dividend (1998 £1,000,000).

Principal activities and trading review

The company carries on business as insurance brokers, including the overall administration on behalf of insurers.

Wallside Holdings Limited, London Wall Insurance Services Limited and RAC Mechanical Insurance Services Limited form the Wallside Group. *London Wall Insurance Services is the registered Lloyd's broker and RAC Mechanical Insurance Services is the trading name.* All revenue and expenses from the group are recorded in the financial statements of London Wall Insurance Services Limited.

There have been no events since the balance sheet date which materially affect the position of the company.
Since the year end there has been a loss of major customers which will affect future revenues.

Charitable donations

During the year the company made donations of £nil (1998 £243) to United Kingdom charitable organisations.

Directors

The directors of the company who served during the year were:

N A Johnson
R T Rogers
G K Moore

The directors did not have any interest in the ordinary share capital of the company during the year.

Directors' responsibilities

A statement of directors' responsibilities is set out on page 2.

Year 2000

The Year 2000 problem arose because some computer systems and micro-processor controlled devices only recognised the last two digits of a year and consequently were unable to attribute 00 as the year 2000. As a result, some systems may have processed data incorrectly or shut down altogether.

In recognition of the serious implications of the millennium date change, the RAC Holdings Group undertook a Year 2000 programme. The Year 2000 programme included all RAC Holdings Group companies and business units and followed a well established project management process.

The project is now complete and the new millennium date change passed without any major problems. There was no adverse effect on the Group's operational or financial results, nor was there any effect from third parties inability to manage Year 2000 related issues. Provision has been made to monitor other Year 2000 issues during the year, such as the effect of February 29. The Group is confident that these these issues have no adverse effect on the Group's operations.

The Group has spent £4.0 million on the Year 2000 programme to date. Current estimates to complete the project are for a further spend of £0.2 million.

By Order of the Board
D A Ives
Secretary

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 surplus or deficit 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;

* state whether applicable 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 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 responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Profit and Loss Account
For the year ended 31 December 1999

	Notes	1999 £	1999 £	1998 £	1998 £
Turnover			**5,438,738**		*6,573,739*
Expenditure					
Staff costs	3	**2,966,725**		*2,777,374*	
Administrative expenses		**3,502,743**		*3,017,320*	
Exceptional items	5	**-**		*384,496*	
			6,469,468		*6,179,190*
			(1,030,730)		*394,549*
Interest receivable			**205,014**		*584,063*
			(825,716)		*978,612*
Interest payable	6		**338**		*4,412*
(Loss) / Profit on ordinary activities before taxation	7		**(826,054)**		*974,200*
Taxation	8		**(383,029)**		*145,221*
(Loss) / Profit on ordinary activities after taxation			**(443,025)**		*828,979*
Dividends	9		**-**		*1,000,000*
Retained (loss) for the year			**(443,025)**		*(171,021)*

All amounts relate to continuing activities.

All recognised gains and losses are included in the income and expenditure account.

The notes on pages 5 to 9 form an integral part of these financial statements.

Balance Sheet
At 31 December 1999

	Notes	1999 £	*1998 £*
Fixed assets			
Tangible assets	10	187,904	*661,403*
Current assets			
Debtors	11	12,165,204	*13,593,816*
Cash at bank and in hand		5,324,387	*6,885,184*
		17,489,591	*20,479,000*
Creditors: amounts falling due within one year	12	(15,764,389)	*(18,791,359)*
Net current assets		1,725,202	*1,687,641*
Total assets less current liabilities		1,913,106	*2,349,044*
Provisions for liabilities and charges	13	(54,160)	*(138,743)*
Accruals and deferred income	14	(568,190)	*(476,520)*
		1,290,756	*1,733,781*
Capital and reserves - equity			
Share capital	16	1,002,500	*1,002,500*
Profit and loss account	17	288,256	*731,281*
		1,290,756	*1,733,781*

The notes on pages 5 to 9 form part of these financial statements.

The financial statements were approved by the Board on 18 February 2000

G W Spellins

Director

1 Accounting policies

There have been no changes in the accounting policies during the year. The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following policies have been adopted:

Turnover: Turnover represents insurance commission net of agent's commission after adjustment for amounts not earned in respect of claims administration. Turnover is recognised on the receipt of applications for cover from customers.

Depreciation: Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives.It is calculated at the following rates:

Leasehold properties	over the period of the lease
Office equipment	15% to 33%
Motor vehicles	25%

Deferred taxation: The company provides deferred taxation using the liability method in respect of all short-term timing differences and all other material timing differences to the extent it is probable that a liability will crystallise.

Pension costs: RAC Pension Scheme contributions are provided for over the service lives of the employees so that the regular cost is a substantially level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions.

Foreign currencies: Monetary assets and liabilities denominated in foreign currecies are translated at the exchange rate ruling at the balance sheet date and revenue, costs and non-monetary assets ruling at the date of the transactions. Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss account.

Related party transactions: The company has taken advantage of the exemption granted by FRS 8 to subsidiary undertakings, not to disclose transactions with other group entities.

2 Turnover and profits

The turnover and profit for the year are derived solely from the company's principal activity of acting as insurance brokers, including the overall administration on behalf of insurers.

3 Employees

	1999	*1998*
Staff costs consist of:	£	*£*
Wages and salaries	**2,421,116**	*2,270,699*
Social security costs	**315,669**	*277,456*
Other pension costs	**229,940**	*229,219*
	2,966,725	*2,777,374*
	No.	*No.*
The average weekly number of employees during the year was as follows:	**79**	*81*

4 Director's emoluments

Remuneration (including benefits in kind)	**140,734**	*271,708*
Pension contributions	-	*91,107*
Compensation for loss of office	**172,452**	*30,000*
	313,186	392,815

4 Director's emoluments (continued)

During the year two directors were part of the defined benefit scheme. No directors were in the defined contribution scheme. N A Johnson was a director of RAC Holdings Ltd and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of N A Johnson. His total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of RAC Holdings Ltd.

	1999	1998
	£	£
5 Exceptional Items		
Relocation and recruitment	-	384,496

Relocation and recruitment costs arose from the relocation from Tunbridge Wells to Feltham.

	1999	1998
6 Interest payable		
Bank loans and overdrafts	338	4,412
7 (Loss) / Profit on ordinary activities before taxation		
is stated, after charging the following amounts:		
Depreciation	120,989	295,467
Directors' emoluments	313,186	392,815
Auditors' remuneration	48	19,149
Auditors' remuneration for non-audit services	-	9,508
Loss on disposal of fixed assets	28	23,456
Property rentals - operating leases	152,750	130,000
8 Taxation		
U.K. corporation tax on operating activities at 31%	(332,472)	437,981
U.K. corporation tax on exceptional items at 31%	-	(90,250)
(Over) provision relating to prior year	(50,557)	(202,510)
	(383,029)	145,221
9 Dividends		
Final dividend proposed nil (1998 £0.50) per ordinary share	-	1,000,000

10 Tangible assets

	Office Equipment	Motor Vehicles	Total
	£	£	£
Cost			
At 1 January 1999	1,069,206	822,632	1,891,838
Additions	81,730	2,527	84,257
Disposals	(2,043)	(764,789)	(766,832)
At 31 December 1999	1,148,893	60,370	1,209,263
Depreciation			
At 1 January 1999	888,750	341,685	1,230,435
Provided for year	106,880	14,109	120,989
Disposals	(1,336)	(328,729)	(330,065)
At 31 December 1999	994,294	27,065	1,021,359
Net book value at:			
31 December 1999	**154,599**	**33,305**	**187,904**
31 December 1998	*180,456*	*480,947*	*661,403*

11 Debtors

	1999	*1998*
	£	£
Trade debtors	**10,641,942**	*12,474,349*
Amounts due from group undertakings	**875,320**	*867,733*
Other debtors	**282,367**	*2,290*
Deferred Tax (see note 15)	**74,159**	-
Prepayments and accrued income	**291,416**	*249,444*
	12,165,204	*13,593,816*

All amounts shown under debtors fall due for payment within one year.

12 Creditors amounts falling due within one year

	1999	*1998*
Trade creditors	**9,224,374**	*11,899,369*
Amounts owed to group undertakings	**5,031,725**	*3,853,393*
Creditors for taxation and social security	**15,111**	*87,547*
Corporation tax	-	*347,281*
Other creditors	**65,558**	*56,578*
Accruals	**181,081**	*425,675*
Bank loans and overdraft	**1,246,540**	*1,121,516*
Proposed dividend	-	*1,000,000*
	15,764,389	*18,791,359*

	1999	1998
	£	£

13 Provision for liabilities and charges

	1999 £	1998 £
Provision brought forward	138,743	696,628
Provided in the year	-	384,496
Utilised in the year	(84,583)	(942,381)
At end of year	54,160	138,743

These are reorganisation provisions, which relate to costs arising from the company's relocation.

14 Accruals and deferred income

Provision for unearned commission

	1999 £	1998 £
Provision brought forward	476,520	658,375
Movement in year	91,670	(181,855)
At end of year	568,190	476,520

Provision for unearned commission represents the estimated cost of processing claims which are expected to arise on unexpired policies.

15 Deferred taxation

	1999 £	1998 £
Provision brought forward	-	-
Movement in year relating to accelerated capital allowances	74,159	-
At end of year	74,159	-

16 Share Capital

	1999 £	1998 £
Authorised - Ordinary shares at 50p each	2,000,000	2,000,000
Allotted,called up, and fully paid - Ordinary shares of 50p each	1,002,500	1,002,500

17 *Reconciliation of movement in* shareholders funds

	Share capital £	Profit and loss £	Total 1999 £	*Total 1998* £
At beginning of year	1,002,500	731,281	1,733,781	*1,904,802*
Profit for year	-	(443,025)	(443,025)	*(171,021)*
Issued during the year	-	-	-	-
At end of year	1,002,500	288,256	1,290,756	*1,733,781*

18 Commitments under operating leases

As at 31 December 1999, the company had no annual commitments under non-cancellable operating leases:-

	Land and buildings	
	1999	*1998*
	£	£
Annual payments under operating leases expiring:		
over 5 years	**152,750**	*130,000*

The company has commitments for capital expenditure of £nil (1998 £40,216) contracted but not provided for.

19 RAC Pension scheme

The company is a member of the RAC Pension scheme, which is a multiple benefit scheme. Full details of this scheme are included in the accounts of the parent company, RAC Holdings Limited. Pension costs are allocated to member companies on the basis of pensionable salaries charged in the year.

20 Ultimate parent company

The ultimate parent company at 31 December 1999 was Lex Service PLC, a company registered in England.

The company has taken advantage of the exemption within FRS8: Related Party Transactions, for wholly owned subsidiary undertakings, not to disclose transactions with other entities within the same group as the accounts of the company's parent undertaking, Lex Service PLC, are available from the Company Secretary, Lex House, Boston Drive, Bourne End, Bucks.

21 Cash flow statements

The company has taken advantage of the exemption conferred by Financial Reporting Standard No 1,"Cashflow Statements", not to produce a cashflow statement as it is a wholly owned subsidiary. A group cashflow statement is included in the financial statements of Lex Service PLC.

To the Shareholders of London Wall Insurance Services Limited

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 misstatements, 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

18 February 2000

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
London