

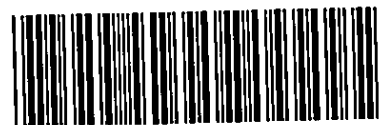
REALTY INSURANCES LIMITED

Registered No: 482966

**REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 MARCH 2007

TUESDAY



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REALTY INSURANCES LIMITED

DIRECTORS' REPORT

The Directors submit their annual report together with the audited financial statements for the year ended 31 March 2007.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's principal activities during the year were those of insurance intermediaries and advisors. The company was authorised and regulated by the Financial Services Authority throughout the year.

Despite the soft market conditions in the insurance industry during the year, the company has achieved an increase in turnover of 1.5% over the previous 12 months. Other key performance indicators are detailed in the profit and loss account on page 6.

The balance sheet on page 7 shows that the company's financial position at the year end in terms of net current assets and shareholders' funds has improved by £178,000.

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 6. Profit on ordinary activities before taxation was £1,547,000 (15 month period ended 31 March 2006 - £1,875,000).

During the year the company paid a dividend of £1,356,000, £13.56 per share (15 month period ended 31 March 2006 - £937,000, £9.37 per share) on the ordinary shares to the parent company, Deva Holdings Limited.

FUTURE PROSPECTS

The directors are pleased with the results for the year and believe this success will continue into the year ahead.

DIRECTORS AND THEIR INTERESTS

The directors of the company, all of whom served throughout the year, except as noted below, were:

J O Hagger	-	Chairman
G A E Salmon	-	Managing Director
L Hackett		
C J Redman	-	(Retired 26 May 2006)
R C Williams		
M H Lamb		

None of the company's directors had any interests in the shares of the company, its ultimate parent company, Deva Group Limited, or any of its fellow subsidiary undertakings required to be disclosed under the Companies Act 1985.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

REALTY INSURANCES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES (continued)

United Kingdom Company Law requires the directors to prepare such financial statements for each financial period which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. 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, 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the implementation of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are highlighted below.

- Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where the company is exposed to credit risk are amounts due from clients and insurers in respect of premiums already paid, cash and investment holdings.

The company monitors its exposure to single counterparties and to connected counterparties and ensures that its cash and investment holdings are kept with a number of different counterparties with appropriate credit ratings.

- Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when they fall due. The company has put in place appropriate financial and cash flow management structures so that it is able to anticipate demand for cash and meet obligations as they arise. The company operates in a high cash flow business and the controls in place to ensure that premiums and brokerage are paid by clients on time also help to ensure that the company has appropriate cash resource to meet its obligations at any point in time.

REALTY INSURANCES LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS & UNCERTAINTIES (continued)

- Regulatory risk

The company operates within a regulated environment and regulatory risk is the risk that the company fails to comply with any of the regulatory requirements laid down by the Financial Services Authority. The supervision which forms the basis of the relationship with the Financial Services Authority consists of regulatory reports submitted twice a year and the company has implemented procedures in order to ensure that these reports are prepared and submitted in advance of any deadlines.

As insurance intermediaries and advisors, the company is also bound by a set of rules and principles which are designed to protect the consumer, particularly in relation to the handling of client money, and the company has implemented various controls and procedures in order to mitigate the risk of non-compliance with these rules. The company is very active in keeping up to date with any changes in the regulatory requirements and where possible it seeks to adhere to best practice as recommended by the Financial Services Authority.

AUDITORS

In so far as the Directors are aware

- (a) there is no relevant audit information of which the auditors are unaware, and
- (b) the Directors have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given in accordance with s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Mr O H C Morton
Secretary

10 July 2007

REALTY INSURANCES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
REALTY INSURANCES LIMITED**

We have audited the financial statements of Realty Insurances Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. 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 auditors' 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report whether, in our opinion, the information given in the directors' report 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 directors' report for the above period 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 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.

REALTY INSURANCES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
REALTY INSURANCES LIMITED (continued)

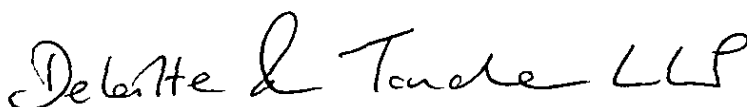
BASIS OF AUDIT OPINION (continued)

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 March 2007 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 directors' report is consistent with the financial statements



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

10 July 2007

REALTY INSURANCES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007**

	Note	31 March 2007 12 Months £'000	31 March 2006 15 Months £'000
<u>Results of continuing operations</u>			
Turnover	1(b), 2	2,853	3,334
Cost of sales		<u>(182)</u>	<u>(140)</u>
<u>Gross profit</u>		2,671	3,194
Administrative expenses		<u>(1,427)</u>	<u>(1,647)</u>
<u>Operating profit</u>	3	1,244	1,547
Interest receivable	7	<u>303</u>	<u>328</u>
<u>Profit on ordinary activities before taxation</u>		1,547	1,875
Tax on profit on ordinary activities	8	<u>(13)</u>	<u>(519)</u>
<u>Profit on ordinary activities after taxation</u>	15, 16	<u>1,534</u>	<u>1,356</u>

All material activities derive from continuing operations

There are no recognised gains or losses in the current year or preceding period other than those in the profit and loss account. Accordingly a statement of total recognised gains and losses is not presented.

The notes on pages 8 to 16 form an integral part of the financial statements.

REALTY INSURANCES LIMITED**BALANCE SHEET AS AT 31 MARCH 2007**

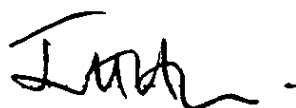
	Note	31 March 2007 £'000	31 March 2006 £'000
<u>Tangible fixed assets</u>	10	<u>4</u>	<u>7</u>
<u>Current assets</u>			
Debtors	11	5,019	5,443
Cash at bank and in hand	12	<u>2,600</u>	<u>2,015</u>
		7,619	7,458
<u>Creditors</u> amounts falling due within one year	13	<u>(5,191)</u>	<u>(5,211)</u>
<u>Net current assets</u>		<u>2,428</u>	<u>2,247</u>
<u>Net assets</u>		<u>2,432</u>	<u>2,254</u>
<u>Capital and reserves</u>			
Called up share capital	14	100	100
Profit and loss account	15	<u>2,332</u>	<u>2,154</u>
<u>Equity shareholders' funds</u>	16	<u>2,432</u>	<u>2,254</u>

Approved and authorised to issue by the Board of Directors on 10 July 2007 and signed on its behalf by



G A E Salmon

Director



J O Hagger

Director

REALTY INSURANCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom. The company's principal accounting policies are unchanged compared with the 15 month period ended 31 March 2006.

The company is a wholly owned subsidiary of Deva Group Limited, its ultimate parent undertaking, which is registered in England and Wales and prepares consolidated financial statements. Consequently, the company is not required to present a cash flow statement.

(b) Turnover

Commissions and fees are recognised in the accounting period in which services are provided.

(c) Tangible fixed assets

Fixed assets, which comprises office equipment, are depreciated on a straight line basis so as to spread their cost, less estimated residual value, over their expected useful lives at a rate of 25% per annum.

(d) Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(e) Pension costs

The defined benefit pension scheme (Grosvenor Pension Plan – 'GPP') operated by the company is a multi-employer scheme and the company's share of the underlying assets and liabilities cannot be identified. FRS 17 'Retirement Benefits' requires that the scheme is accounted for in the same way as a defined contribution scheme.

For defined contribution schemes (Grosvenor Estate Money Purchase Scheme – 'GEMPS') the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either in accruals or prepayments in the balance sheet.

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****1. ACCOUNTING POLICIES (continued)****(f) Leased assets**

Payments made under operating leases are charged to the profit and loss account in the period in which they become payable

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account

2. SEGMENTAL INFORMATION

Turnover and profit before taxation are generated from insurance broking and advisory activities in the United Kingdom

3. OPERATING PROFIT

	31 March 2007 12 Months £'000	31 March 2006 15 Months £'000
Operating profit is stated after charging		
Operating lease payments – land and buildings	139	172
Depreciation – owned assets	2	3
– leased assets	1	1
Auditors' remuneration – audit fees	<u>19</u>	<u>18</u>

4. EMPLOYEE INFORMATION

	31 March 2007 12 Months £'000	31 March 2006 15 Months £'000
Staff costs		
Wages and salaries	733	932
Social security costs	86	108
Pension costs (note 6)		
Defined contribution	2	3
Defined benefit	<u>163</u>	<u>181</u>
	<u>984</u>	<u>1,224</u>

The average number of persons employed during the year was 12 (15 month period ended 31 March 2006 12)

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****5. DIRECTORS' REMUNERATION**

	31 March 2007		31 March 2006	
	12 Months		15 Months	
	Total	Highest paid director	Total	Highest paid director
	£'000	£'000	£'000	£'000
Aggregate emoluments	<u>355</u>	<u>267</u>	<u>442</u>	<u>328</u>

Retirement benefits are accruing at 31 March 2007 to 2 directors (15 month period ended 31 March 2006 2) under the defined benefit pension scheme described in note 6

6. PENSION SCHEME

Realty Insurances Limited does not maintain a separate company pension scheme. Its employees are members of the Grosvenor Pension Plan (the 'Plan', formerly the Grosvenor Estates Pension Scheme), a defined benefit scheme, and the Grosvenor Estate Money Purchase Scheme (GEMPS), a defined contribution scheme. These schemes are administered by independent trustees.

The Plan is open to all staff and provides a defined benefit pension up to an upper earnings limit. Above this limit the group contributes between 25% and 30% of that tranche of salary into a stakeholder arrangement.

Independent qualified actuaries complete valuations of the Plan at least every three years and contributions are paid to the Plan in line with a Schedule of Contributions agreed between the trustees of the Plan and the Group. The most recent actuarial valuation was carried out at 31 December 2005 using the projected unit funding method and taking assets at their market value.

Although the Plan is a defined benefit scheme, it is a multi employer scheme and the company's share of the underlying assets and liabilities cannot be identified. As a result FRS 17 requires that the Plan is accounted for on a contributions basis and therefore the benefit disclosures are not required. However, actuarial valuations for the Plan as a whole have been updated to 31 December 2006 by an independent qualified actuary, in accordance with the basis set out in FRS 17, and included below is an analysis of the deficit indicated by that valuation together with the major assumptions used by the actuary.

	2006	2005	2004
	£m	£m	£m
Pension scheme deficit before tax	(0.7)	(15.6)	(6.7)

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****6. PENSION SCHEME (continued)****Assets in scheme and the expected rates of return**

	2006 Value	2006 Long-term rate of expected return	2005 Value	2005 Long-term rate of expected return	2004 Value	2004 Long-term rate of expected return
	£m		£m		£m	
Equities	100.0	7.5%	87.0	7.3%	70.2	7.5%
Gilts	10.6	4.5%	9.5	4.0%	7.5	4.6%
Other	1.5	4.5%	1.3	4.6%	1.3	5.2%
	<u>112.1</u>		<u>97.8</u>		<u>79.0</u>	
Present value of scheme liabilities	(112.8)		(113.4)		(85.7)	
Pension Scheme deficit before tax	<u>(0.7)</u>		<u>(15.6)</u>		<u>(6.7)</u>	
Related deferred tax asset at 30%	0.2		4.7		2.0	
Deficit in scheme	<u><u>(0.5)</u></u>		<u><u>(10.9)</u></u>		<u><u>(4.7)</u></u>	

Major assumptions used by the actuary were:

	2006	2005	2004
Rate of increase in salaries	3.9-6.9%	3.9-6.9%	3.9-6.9%
Rate of increase in pensions payment	2.9%	2.9%	2.9%
Discount rate	5.1%	4.7%	5.3%
Inflation	2.9%	2.9%	2.9%

The above analysis relates to the whole of the Grosvenor Pension Plan including the element that relates to non company employees

The Plan pension cost charge amounted to £164,000 (15 month period ended 31 March 2006 £181,000)

The company's contributions to the defined contribution scheme for the year were £2,000 (15 month period ended 31 March 2006 £3,000)

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

7. <u>INTEREST RECEIVABLE</u>	31 March 2007 12 Months £'000	31 March 2006 15 Months £'000
Interest on loans to group undertakings	160	171
Interest received on Global Treasury Fund	136	149
Bank interest received	<u>7</u>	<u>8</u>
	<u>303</u>	<u>328</u>
8. <u>TAX ON PROFIT ON ORDINARY ACTIVITIES</u>	31 March 2007 12 Months £'000	31 March 2006 15 Months £'000
(a) Analysis of tax charge on current activities		
United Kingdom corporation tax at 30% (15 month period ended 31 March 2006 30%) based on the profit for the period	-	561
Deferred tax	<u>-</u>	<u>(42)</u>
	-	519
Under provision in respect of prior years	<u>13</u>	<u>-</u>
	<u>13</u>	<u>519</u>
(b) Factors affecting tax charge in current period		
Profit on ordinary activities before tax	<u>1,547</u>	<u>1,875</u>
Tax at 30% thereon	(464)	(563)
Effects of		
Capital allowances in excess of depreciation	2	4
Expenses not deductible for tax purposes	(2)	(2)
Group relief not paid for	<u>464</u>	<u>-</u>
Current tax charge for period	<u>-</u>	<u>(561)</u>

(c) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to depreciation exceeding capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £3,000 (2006 £5,000)

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

9. <u>DIVIDENDS</u>	31 March 2007 12 Months £'000	31 March 2006 15 Months £'000
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Equity dividend paid of £13 56
(15 month period ended 31 March 2006 £9 37)
per ordinary share

<u>1,356</u>	<u>937</u>
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10. <u>TANGIBLE FIXED ASSETS</u>	
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Office Equipment £'000

Cost

At 1 April 2006

222

Additions

-

At 31 March 2007

222**Depreciation:**

At 1 April 2006

215

Charge for the period

3

At 31 March 2007

218**Net book value:**

At 31 March 2007

4

At 31 March 2006

7

The net book value includes £2,000 (2006 £3,000) in respect of assets held under finance leases

11. <u>DEBTORS</u>	31 March 2007 £'000	31 March 2006 £'000
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Amounts falling due within one year

Trade debtors

1,699

1,697

Amounts owed by group undertakings

3,169

3,598

Prepayments and accrued income

1511485,0195,443

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****12. CASH AT BANK AND IN HAND**

Included within cash at bank and in hand on the balance sheet is £326,000 (2006 £29,000) held in separately designated Non-Statutory Trust Client Accounts in accordance with the Financial Services Authority's statutory requirements

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2007 £'000	31 March 2006 £'000
Bank overdrafts	11	11
Trade creditors	4,224	3,618
Taxation	-	561
Obligations under finance leases	2	3
Other creditors being taxation and social security	82	101
Accruals and deferred income	872	917
	<u>5,191</u>	<u>5,211</u>

14. CALLED UP SHARE CAPITAL

	31 March 2007 £'000	31 March 2006 £'000
<u>Authorised</u> 500,000 (31 March 2006 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>
<u>Allotted, called up and fully paid</u> 100,000 (31 March 2006 100,000) ordinary shares of £1 each	<u>100</u>	<u>100</u>

15. PROFIT AND LOSS ACCOUNT

	31 March 2007 12 Months £'000	31 March 2006 15 Months £'000
At 1 April/1 January	2,154	1,735
Profit for period	1,534	1,356
Dividends	<u>(1,356)</u>	<u>(937)</u>
At 31 March	<u>2,332</u>	<u>2,154</u>

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31 March 2007 £'000	31 March 2006 £'000
Opening shareholders' funds	2,254	1,835
Profit for the financial period	1,534	1,356
Dividends	<u>(1,356)</u>	<u>(937)</u>
Closing shareholders' funds	<u>2,432</u>	<u>2,254</u>

17. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Deva Group Limited, which is incorporated in Great Britain and registered in England and Wales and is wholly owned by trusts and members of the Grosvenor family, headed by the Duke of Westminster. Deva Group Limited heads the group of companies of which the company is a member and for which group accounts are prepared. Copies of the accounts of Deva Group Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

18. RELATED PARTY TRANSACTIONS

The company arranged insurance cover on normal commercial terms to members of the Grosvenor Family and Grosvenor Trusts. Aggregate premiums arising in the year were £1,217,000 (15 month period ended 31 March 2006 £949,000).

Premiums charged in the year to other related parties, including fellow subsidiaries of Deva Group Limited and Grosvenor Group Limited property group, were £10,820,000 (15 month period ended 31 March 2006 £17,764,000).

During the year, the company was charged rent and management fees totalling £241,000 (15 month period ended 31 March 2006 £286,000) by companies within the Grosvenor Group. At the year end, there was an outstanding balance of £nil (2006 £21,000). Grosvenor Group and Realty Insurances Limited share mutual ultimate controlling parties.

In addition, the company was charged management and administrative fees totalling £32,000 (15 month period ended 31 March 2006 £11,000) during the year by a Grosvenor Trust whose trustees form a majority of the directors of the ultimate parent company. At the year end, there was an outstanding balance of £24,000 (2006 £2,000).

Included in turnover is an amount of £200,000 (15 month period ended 31 March 2006 £250,000) in relation to insurance advisory services provided to companies within the Grosvenor Group.

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****19. COMMITMENTS****(a) Capital expenditure**

At 31 March 2007, the company had no commitments to capital expenditure for which contracts had been placed

(b) Operating leases

Annual commitments under non-cancellable operating leases which expire

	31 March 2007 Land and buildings £'000	31 March 2006 Land and buildings £'000
Within two to five years	139	139
After more than five years	-	-
	<u>139</u>	<u>139</u>