

REALTY INSURANCES LIMITED

Registered No: 482966

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 1999



REALTY INSURANCES LIMITED

DIRECTORS' REPORT

The directors submit their annual report together with the financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was as insurance intermediaries registered by the Insurance Brokers Registration Council.

DIRECTORS

The directors of the company at 31 December 1999, all of whom were directors throughout the year, were:

J O Hagger - Chairman
M P L Tompsett - Managing Director
A B Roberts
C M D Hague

RESULTS AND DIVIDENDS

The results of the company for the year are shown on page 4. Profit on ordinary activities before taxation was £787,080 compared with £1,035,278 in 1998.

With regard to the company's ordinary shares, the directors do not recommend the payment of a dividend.

DIRECTORS' INTERESTS

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.

REALTY INSURANCES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES

The directors have responsibility for preparing 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 for the year.

In preparing the financial statements, the directors are required to ensure that suitable accounting policies are selected and consistently applied, that the judgements and estimates made are reasonable and prudent, and that applicable accounting standards are followed.

The directors are also responsible for keeping proper accounting records which 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 the company's system of internal financial control and for safeguarding the assets of the company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors have adopted the going concern basis in preparing the accounts.

GROUP REORGANISATION

On 18 November 1999, Deva Holdings Limited which is wholly owned by Deva Group Limited acquired from Grosvenor Estate Holdings, the previous parent company, its non-property businesses comprising Grosvenor Farms Holdings Limited, The Chester Grosvenor Hotel Company Limited and Realty Insurances Limited. This group reorganisation enables Grosvenor Estate Holdings to concentrate exclusively on the development of its property operations worldwide leaving the continuing growth of the non-property businesses to a separate management structure.

YEAR 2000

The directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect activities of the business, although the situation is being monitored.

The cost to date of achieving Year 2000 compliance has been borne by Grosvenor Estate Holdings, its previous parent company, and therefore, it has not been reflected in these financial statements. Any future costs associated with this issue cannot be quantified but are not anticipated to be significant.

AUDITORS

A resolution to reappoint Deloitte & Touche as the company's auditors will be proposed at the Annual General Meeting.

By Order of the Board

Karen Watson

Miss K M Watson
Secretary

12 April 2000

REALTY INSURANCES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with 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 affairs of the company as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

12 April 2000

REALTY INSURANCES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999**

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
<u>Results of continuing operations</u>			
Turnover	1(b), 2	1,663,989	1,790,546
Cost of sales		<u>(100,023)</u>	<u>(104,894)</u>
<u>Gross profit</u>		1,563,966	1,685,652
Administrative expenses		<u>(997,410)</u>	<u>(881,569)</u>
<u>Operating profit</u>	3	566,556	804,083
Interest receivable	7	<u>220,524</u>	<u>231,195</u>
<u>Profit on ordinary activities before taxation</u>	2	787,080	1,035,278
Tax on profit on ordinary activities	8	<u>(245,128)</u>	<u>(329,243)</u>
<u>Profit on ordinary activities after taxation</u>		541,952	706,035
Balance brought forward		<u>1,588,682</u>	<u>882,647</u>
<u>Balance carried forward</u>		<u><u>2,130,634</u></u>	<u><u>1,588,682</u></u>

The company had no recognised gains or losses other than those reported in the profit and loss account.

REALTY INSURANCES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
<u>Tangible fixed assets</u>	9	<u>29,181</u>	<u>77,219</u>
<u>Current assets</u>			
Debtors	10	3,758,043	2,852,001
Cash at bank and in hand	11	<u>511,242</u>	<u>612,612</u>
		4,269,285	3,464,613
<u>Creditors:</u> amounts falling due within one year	12	<u>(2,167,631)</u>	<u>(1,952,949)</u>
<u>Net current assets</u>		<u>2,101,654</u>	<u>1,511,664</u>
<u>Total assets less current liabilities</u>		<u>2,130,835</u>	<u>1,588,883</u>
<u>Capital and reserves</u>			
Called up share capital	13	201	201
Profit and loss account		<u>2,130,634</u>	<u>1,588,682</u>
<u>Equity shareholders' funds</u>	14	<u>2,130,835</u>	<u>1,588,883</u>

Approved by the Board on 12 April 2000 and signed on its behalf by:



MPL Tompsett

Directors



JO Hagger

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 UK. The company's principal accounting policies are unchanged compared with the year ended 31 December 1998.

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

Commission is only recognised when insurance premiums are received by the company.

(c) Tangible fixed assets

Fixed assets, which comprise motor vehicles and office equipment, are depreciated on a straight line basis so as to spread their cost over their expected useful lives at a rate of 25% per annum.

(d) Deferred taxation

Deferred taxation is accounted for in respect of timing differences between the recognition of income and expenditure for accounting and taxation purposes to the extent that it is considered probable that a tax liability or asset will crystallise in the foreseeable future.

(e) Pension costs

Pension costs are charged to the profit and loss account on a systematic basis over the period expected to benefit from the service of the employees concerned.

2. SEGMENTAL INFORMATION

Turnover and profit before taxation are generated from insurance management activities in the United Kingdom.

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

3. OPERATING PROFIT	1999	1998
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (note 4)	568,440	495,730
Depreciation	61,220	60,298
Auditors' remuneration	11,897	11,752
Profit on sale of fixed assets	<u>(656)</u>	<u>-</u>

4. EMPLOYEE INFORMATION

Staff costs:		
Wages and salaries	458,458	398,814
Social security costs	47,350	38,889
Pension costs (note 6)		
Defined contribution	9,676	8,224
Defined benefit	<u>52,956</u>	<u>49,803</u>
	<u>568,440</u>	<u>495,730</u>

The average number of persons employed during the year was 13 (1998 12).

5. DIRECTORS' REMUNERATION

	1999		1998	
	Total	Highest paid director	Total	Highest paid director
	£	£	£	£
Aggregate emoluments	<u>219,256</u>	<u>93,703</u>	<u>218,838</u>	<u>92,725</u>

Retirement benefits are accruing to 4 directors under the defined benefit pension scheme described in note 6. Retirement benefits accrued to the highest-paid director under the scheme are as follows:

	1999	1998
	£	£
Accrued annual pension at 31 December	<u>29,564</u>	<u>25,893</u>

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****6. PENSION SCHEME**

The Deva Group Limited does not maintain a separate group pension scheme. Its employees continue to be members of the Grosvenor Estates Pension Scheme (GEPS) or the Grosvenor Estate Money Purchase Scheme (GEMPS) maintained by the ultimate parent company of its former group, Grosvenor Group Holdings Limited. These schemes are administered by independent trustees.

Independent qualified actuaries complete valuations of the GEPS at least every three years and, in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules. The most recent valuation was carried out at 31 December 1999 using the projected unit fund method. At that date, the market value of the GEPS assets was £70.4 million and the actuarial value of the assets was sufficient to cover 105% of the benefits that had accrued to members after allowing for expected increases in earnings. The surplus of assets over liabilities is being amortised over an average service lifetime of 14 years, with the variation being calculated as a percentage of salary. The pension charge for 1999 is based on the actuarial valuation carried out as 31 December 1996.

7. INTEREST RECEIVABLE

	<u>1999</u>	<u>1998</u>
	£	£
Interest on loans to group undertakings	197,016	179,206
Bank interest received	<u>23,508</u>	<u>51,989</u>
	<u><u>220,524</u></u>	<u><u>231,195</u></u>

8. TAXATION

Corporation tax at 30.25% (1998 - 31%) based on the profit for the year	246,000	329,000
(Over)/under provision in respect of prior years	<u>(872)</u>	<u>243</u>
	<u><u>245,128</u></u>	<u><u>329,243</u></u>

9. TANGIBLE FIXED ASSETS

	<u>Office Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£
Cost:			
At 1 January 1999	177,585	70,525	248,110
Additions	3,304	17,722	21,026
Disposals	<u>-</u>	<u>(15,688)</u>	<u>(15,688)</u>
At 31 December 1999	<u>180,889</u>	<u>72,559</u>	<u>253,448</u>
Depreciation:			
At 1 January 1999	124,826	46,065	170,891
Charge for the year	43,080	18,140	61,220
Disposals	<u>-</u>	<u>(7,844)</u>	<u>(7,844)</u>
At 31 December 1999	<u>167,906</u>	<u>56,361</u>	<u>224,267</u>
Net book value:			
At 31 December 1999	<u>12,983</u>	<u>16,198</u>	<u>29,181</u>
At 31 December 1998	<u>52,759</u>	<u>24,460</u>	<u>77,219</u>

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****10. DEBTORS**

	<u>1999</u> £	<u>1998</u> £
Amounts falling due within one year:		
Trade debtors	1,042,987	917,628
Amounts owed by group undertakings	2,701,621	1,932,384
Prepayments and accrued income	<u>13,435</u>	<u>1,989</u>
	<u>3,758,043</u>	<u>2,852,001</u>

11. CASH AT BANK AND IN HAND

Included within cash at bank and in hand on the balance sheet is £511,053 (1998: £612,579) held in separately designated Insurance Broking Accounts in accordance with the Insurance Brokers Registration Council (Accounts and Business Requirements) Rules 1979.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1999</u> £	<u>1998</u> £
Bank overdrafts	1,596	1,516
Trade creditors	1,362,610	1,299,064
Other creditors	527,135	-
Amount owed to group undertakings	-	97,996
Taxation and social security	246,000	329,000
Accruals and deferred income	<u>30,290</u>	<u>225,373</u>
	<u>2,167,631</u>	<u>1,952,949</u>

13. CALLED UP SHARE CAPITAL	<u>1999</u> £	<u>1998</u> £
<u>Authorised:</u>		
2,000 shares of £1 each	<u>2,000</u>	<u>2,000</u>
<u>Allocated, called up and fully paid:</u>		
201 Shares of £1 each	<u>201</u>	<u>201</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> £	<u>1998</u> £
Profit for the financial year	541,952	706,035
Opening shareholders' funds	<u>1,588,883</u>	<u>882,848</u>
Closing shareholders' funds	<u>2,130,835</u>	<u>1,588</u>

REALTY INSURANCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****15. ULTIMATE PARENT COMPANY**

The company's ultimate parent undertaking is Deva Group Limited, which is registered in England and Wales and is wholly owned by trusts and members of the Grosvenor family, headed by the Duke of Westminster.

16. RELATED PARTY TRANSACTIONS

The company arranged insurance cover on normal commercial terms to members of the Grosvenor Family and Grosvenor Trusts. Aggregate premiums paid in the year were £524,235 (1998 £662,128).

Premiums paid in the year by other related parties, including fellow subsidiaries of Deva Group Limited and associated joint ventures were £5,402,189 (1998 £7,553,495).

17. COMMITMENTS**a) Capital expenditure**

At 31 December 1999, 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:

	<u>1999</u>	<u>1998</u>
	Land and buildings £	Land and buildings £
After more than five years	<u>70,500</u>	<u>70,500</u>