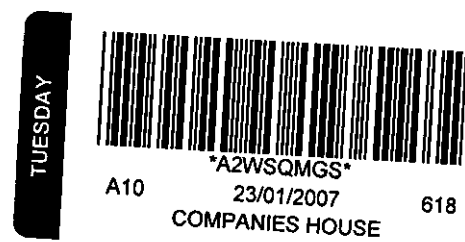


DEVA GROUP LIMITED

Report and Financial Statements
31 March 2006



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The Duke of Westminster KG OBE TD DL (Chairman)
Robin S Broadhurst CBE
Jonathan O Hagger
The Earl of Home CVO CBE
Lesley M S Knox
Mark A Loveday
Jeremy H M Newsum

SECRETARY

Judith P Ball (appointed 14 September 2006)

REGISTERED OFFICE

70 Grosvenor Street
London
W1K 3JP

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

DIRECTORS' REPORT

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the 15 month period ended 31 March 2006.

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The group's principal activities comprise those of farming, cattle breeding, hotelier and insurance broking operations. During the period the company and its subsidiaries changed its accounting reference date to 31 March.

Grosvenor Farms achieved significant productivity gains in both its livestock and arable operations during 2005 and 2006. Productivity gains along with increased income streams from diversified farming activities have enhanced the underlying financial performance of the business. The current strategy of efficient large scale commodity farming and diversification will continue.

During the last financial period Cogent Breeding carried out a detailed review of all aspects of the operation which resulted in the restructuring of a number of key areas within the business. Cogent is now operating on a sound footing to ensure quality and continuity of product to grow the reputation and performance of the company in both the domestic and ever expanding export market places.

Turnover at the Chester Grosvenor Hotel increased by 7.4% over the previous 15 months with all sections of the business showing an improvement. The increase in occupancy clearly benefited the ancillary facilities with growth experienced in all food and beverage outlets. The positive added value impact of the Spa continues to attract visitors to the hotel whilst generating increased revenue.

Realty Insurances had a successful 15 months. The company became authorised and regulated by the Financial Services Authority with effect from 14 January 2005.

DIVIDENDS AND TRANSFERS FROM RESERVES

The results for the 15 month period are set out in the consolidated profit and loss account on page 7. The loss for the period after taxation was £93,000 (31 December 2004 - £2,409,000). The directors do not recommend the payment of a dividend (31 December 2004 - same).

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out below. All directors served throughout the period, except as noted below.

The Duke of Westminster KG OBE TD DL (Chairman)

Brian S Bowden (retired 29 April 2005)

Robin S Broadhurst CBE

Jonathan O Hagger

The Earl of Home CVO CBE

Lesley M S Knox (appointed 1 November 2005)

Mark A Loveday

Jeremy H M Newsum

John R Sclater CVO (retired 31 July 2005)

DIRECTORS' REPORT (continued)**DIRECTORS AND THEIR INTERESTS (continued)**

The directors' interests in the share capital of the company at 31 March 2006 and 31 December 2004 were as follows:

As at 31 March 2006

	Ordinary shares	Non-voting Ordinary shares	12% non-cumulative irredeemable preference shares
Beneficial			
The Duke of Westminster KG OBE TD DL (Chairman)	5,579,541	44,636,328	5,579,541
Non-beneficial			
Jeremy H M Newsum	4,170,816	33,366,528	4,170,816
The Earl of Home CVO CBE	1,529,810	12,238,480	1,529,810
Robin S Broadhurst CBE	3,947,027	31,576,216	3,947,027
Mark A Loveday	5,390,456	43,123,648	5,390,456
Lesley M S Knox	1,598,514	12,788,112	1,598,514

As at 31 December 2004

	Ordinary shares	Non-voting Ordinary shares	12% non-cumulative irredeemable preference shares
Beneficial			
The Duke of Westminster KG OBE TD DL (Chairman)	5,579,541	44,636,328	5,579,541
Non-beneficial			
John R Sclater CVO	2,973,239	21,278,248	2,973,239
Jeremy H M Newsum	4,170,816	33,366,528	4,170,816
The Earl of Home CVO CBE	1,529,810	9,730,816	1,529,810
Robin S Broadhurst CBE	3,947,027	29,068,552	3,947,027
Mark A Loveday	5,390,456	40,615,984	5,390,456

The non-beneficial interests arise as the above directors are Trustees of the Trusts which hold shares in the company. As such there is more than one non-beneficial interest for each ordinary share in issue.

EMPLOYEES


The group gives full and fair consideration to applications by disabled persons for employment. Disabled employees and those who become disabled are afforded the same training, career development and promotion opportunities as other staff. The directors recognise the importance of good communications and relations with the group's employees. Each part of the group maintains employee relationships appropriate to its own particular needs and environment.

DIRECTORS' REPORT (continued)

AUDITORS

Pursuant to Section 386 of the Companies Act 1985, an elective resolution has been passed to dispense with the requirement to appoint Deloitte & Touche LLP as the company's auditors annually.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'S. Pan', is written over the printed name of the Secretary.

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group 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; 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 the group 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEVA GROUP LIMITED

We have audited the group and individual company financial statements (the "financial statements") of Deva Group Limited for the 15 month period ended 31 March 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the balance sheets, the consolidated cash flow statement and the related 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 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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 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 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above period as described in the contents section 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 group's and the individual company's affairs as at 31 March 2006 and of the group's loss for the 15 month period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

19/1/07.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period ended 31 March 2006

	Note	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
TURNOVER	2	22,073	17,435
Cost of sales		(15,678)	(13,695)
GROSS PROFIT		6,395	3,740
Administrative expenses		(7,285)	(6,290)
OPERATING LOSS	3	(890)	(2,550)
Amounts written off investments	13	-	(88)
Interest receivable and similar income	7	176	68
Interest payable	8	(103)	(79)
Profit on disposal of fixed asset investment		346	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(471)	(2,649)
Tax on loss on ordinary activities	9	378	240
RETAINED LOSS FOR THE FINANCIAL PERIOD	21,22	(93)	(2,409)

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Period ended 31 March 2006

	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Loss for the financial period	(93)	(2,409)
Prior year adjustment (as explained in note 28)	(340)	
Total recognised gains and losses since last annual report and financial statements	(433)	

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES
Period ended 31 March 2006

	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Reported loss on ordinary activities before taxation	(471)	(2,649)
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	<u>(129)</u>	<u>(103)</u>
Historical cost loss on ordinary activities before taxation	<u>(600)</u>	<u>(2,752)</u>
Historical cost loss on ordinary activities after taxation	<u>(222)</u>	<u>(2,512)</u>

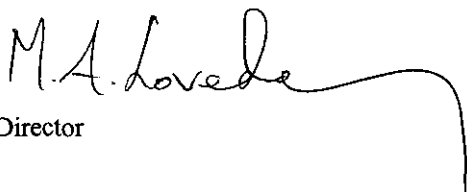
BALANCE SHEETS
31 March 2006

		Group 31 March 2006 £'000	Group 31 December 2004 (as restated see note 28) £'000	Company 31 March 2006 £'000	Company 31 December 2004 £'000
	Note				
FIXED ASSETS					
Intangible assets	10	-	-	-	-
Tangible assets	11	12,293	13,115	-	-
Investments					
Subsidiary undertakings	12	-	-	14,228	15,588
Trade investments	13	29	213	-	-
		<u>12,322</u>	<u>13,328</u>	<u>14,228</u>	<u>15,588</u>
CURRENT ASSETS					
Stocks	14	2,758	2,988	-	-
Debtors	15	4,704	11,112	-	-
Cash at bank and in hand		<u>2,160</u>	<u>1,017</u>	<u>-</u>	<u>-</u>
		<u>9,622</u>	<u>15,117</u>	<u>-</u>	<u>-</u>
CREDITORS: amounts falling due within one year	16	<u>(7,733)</u>	<u>(13,731)</u>	<u>-</u>	<u>-</u>
NET CURRENT ASSETS		<u>1,889</u>	<u>1,386</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,211</u>	<u>14,714</u>	<u>14,228</u>	<u>15,588</u>
CREDITORS: amounts falling due after more than one year	17	(3,000)	(3,032)	(3,000)	-
PROVISION FOR LIABILITIES AND CHARGES	18	<u>(239)</u>	<u>(617)</u>	<u>-</u>	<u>-</u>
NET ASSETS		<u>10,972</u>	<u>11,065</u>	<u>11,228</u>	<u>15,588</u>
CAPITAL AND RESERVES					
Called up share capital	20	5,580	5,580	5,580	5,580
Merger capital reserve	21	5,648	23,224	5,648	23,224
Profit and loss account	21	<u>(256)</u>	<u>(17,739)</u>	<u>-</u>	<u>(13,216)</u>
EQUITY SHAREHOLDERS' FUNDS	22	<u>10,972</u>	<u>11,065</u>	<u>11,228</u>	<u>15,588</u>

These financial statements were approved by the Board of Directors on

11 JAN 2007

Signed on behalf of the Board of Directors


 Director



CONSOLIDATED CASH FLOW STATEMENT
Period ended 31 March 2006

	Note	15 months period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Net cash inflow/(outflow) from operating activities	23	2,711	(523)
Returns on investments and servicing of finance			
Interest received		176	68
Interest paid		(103)	(79)
Net cash inflow/(outflow) from returns on investments and servicing of finance		73	(11)
Taxation paid		(74)	-
Capital expenditure and financial investment			
Payments to acquire fixed assets		(1,898)	(2,005)
Receipts from sale of fixed assets		1,067	513
Receipts from sale of fixed asset investments		530	-
Net cash outflow from investing activities		(301)	(1,492)
Net cash inflow/(outflow) before use of liquid resources and financing		2,409	(2,026)
Management of liquid resources			
Repayment of short term loans		(1,400)	(1,100)
Net cash outflow from management of liquid resources		(1,400)	(1,100)
Financing			
Related company loan		-	3,000
Capital element of finance lease payments		(30)	(93)
Net cash (outflow)/inflow from financing		(30)	2,907
Increase/(decrease) in cash in the period	24, 25	979	(219)

NOTES TO THE ACCOUNTS**Period ended 31 March 2006****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have been applied consistently throughout the current period and previous year, with the exception of the adoption of FRS 17 'Retirement Benefits' (see note 28).

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of leasehold property, and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The group's consolidated financial statements include those of the company and all its subsidiaries.

The company has elected under Section 230 of the Companies Act 1985 not to include its own profit and loss account in these financial statements. The loss for the company for the 15 month period ended 31 March 2006 was £4,360,000 (12 month period ended 31 December 2004 – loss of £2,409,000).

Turnover

Turnover which is recognised on an accruals basis, comprises gross income net of VAT arising from the farming, hotel and insurance broking operations.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Intangible fixed assets

Intangible fixed assets are stated at cost less amortisation and provision for any permanent impairment in value. They are amortised on a straight line basis over their expected useful economic lives.

Tangible fixed assets

Tangible assets are stated at cost less depreciation and provision for any permanent impairment in value.

Depreciation is provided on leasehold buildings on a straight line basis over the term of the lease. Leasehold improvements, plant and equipment, and bulls are depreciated on a straight line basis so as to spread their cost over their useful economic lives, at rates varying between 10% and 100% per annum.

The dairy herd, representing cows used for milk production, is included as a fixed asset and is depreciated at a rate of 12½% per annum.

Trading stocks

Stocks are stated at the lower of cost and net realisable value.

The valuation of home-grown produce is based upon direct costs related to the production and a proportion of attributable indirect costs.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, differences are expected to reverse, based on tax and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

NOTES TO THE ACCOUNTS

Period ended 31 March 2006

1. ACCOUNTING POLICIES (continued)

Pension costs

The group has adopted FRS 17 'Retirement Benefits' during the period. As the defined benefit pension scheme operated by the group is a multi-employer scheme and the group's share of the underlying assets and liabilities cannot be identified, FRS17 requires that the scheme is accounted for in the same way as a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the period. Differences between contributions payable in the period and contributions actually paid are shown either in accruals or prepayments in the balance sheet.

Prior to the adoption of FRS17, the company accounted for pension costs in line with SSAP24. Under SSAP24 the expected cost of providing pensions was charged to the profit and loss account so as to spread the cost over the service lives of the employees. The prior year adjustment in respect of the implementation of FRS17 is disclosed in note 28.

Research and development expenditure

Research and development expenditure is charged to the profit and loss account as incurred.

Leases

Assets held under finance leases and hire purchase contracts 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.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the dates the transactions are recorded. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

2. SEGMENTAL ANALYSIS - GROUP

	Turnover		(Loss)/profit before taxation		Net assets	
	15 month period ended	Year ended	15 month period ended	Year ended	15 month period ended	Year ended
	31 March 2006 £'000	31 December 2004 £'000	31 March 2006 £'000	31 December 2004 £'000	31 March 2006 £'000	31 December 2004 £'000
Hotel	8,508	6,503	(998)	(947)	9,280	9,815
Farming and breeding products	10,270	8,301	(635)	(2,453)	5,907	6,363
Insurance broking	3,295	2,631	1,835	1,341	(783)	167
Holding company	-	-	(673)	(590)	(3,432)	(5,280)
	<u>22,073</u>	<u>17,435</u>	<u>(471)</u>	<u>(2,649)</u>	<u>10,972</u>	<u>11,065</u>

All business activities are based in the United Kingdom.

NOTES TO THE ACCOUNTS

Period ended 31 March 2006

3. OPERATING LOSS

	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Operating loss is after charging/(crediting):		
Depreciation of tangible fixed assets - owned	1,678	1,661
- leased	26	10
Amortisation of intangible fixed assets	-	532
Profit on sale of fixed assets	(51)	(20)
Operating lease rentals:		
Plant and machinery	31	1
Land and buildings	1,003	735
Auditors' remuneration - audit	101	82
- non-audit services	153	134
Plant hire	32	45
Rent receivable	(280)	(18)
	<hr/>	<hr/>

4. EMPLOYEE INFORMATION

	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Staff cost:		
Wages and salaries	7,520	6,128
Social security costs	742	568
Pension costs		
Defined benefit schemes	573	448
Defined contribution schemes	3	67
	<hr/>	<hr/>
	8,838	7,211
	<hr/>	<hr/>
Average number of employees by business	Number	Number
Hotels	139	137
Farming	93	116
Insurance broking	11	12
	<hr/>	<hr/>
	243	265
	<hr/>	<hr/>

5. DIRECTORS' REMUNERATION

The directors received no remuneration in respect of their services to the Deva Group Limited in the current period or preceding year. No director was a member of the Grosvenor Pension Plan (formerly the Grosvenor Estates Pension Scheme) or the Grosvenor Estate Money Purchase Scheme in the current period or preceding year.

NOTES TO THE ACCOUNTS

Period ended 31 March 2006

6. PENSION SCHEMES

The group 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, or the Grosvenor Estate Money Purchase Scheme (GEMPS), a defined contribution scheme. These schemes are administered by independent trustees.

Grosvenor Pension Plan

The Plan is open to all staff and provides a defined benefit pension up to an upper earnings limit. Above this limit the company contributes between 25% and 30% of that tranche of salary into GEMPS. Some members of the Plan accrue benefits on historical scales which pension full salary (subject to earnings cap).

The defined benefit pension cost charge for the period amounted to £573,000 (year ended 31 December 2004 - £448,000). At 31 March the pension prepayment for pension liabilities was £nil (31 December 2004 £340,000).

Independent qualified actuaries complete valuations of the Plan 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 actuarial valuation was carried out at 31 December 2002 using the projected unit funding method and taking assets at their market value. The most important actuarial assumptions made for valuation relate to investment returns with equities assumed to offer a real return of 5% per annum and gilts 2.1% (2.5% for new investments). Salaries were assumed to increase at 3% to 4% per annum above inflation and pensions in line with inflation.

At 31 December 2002, the market value of the Plan assets was £49.5m which was sufficient to cover 72% of the funding target for benefits that had accrued to members after allowing for expected increases in earnings. The funding shortfall is being met by annual fixed payments of £2m plus a one-off contribution of £5m paid during 2003. These contributions will be reviewed following the 31 December 2005 valuation. The 'regular cost' of benefit accrual is in addition to these fixed contributions and payable at a rate of 21.3% of salaries.

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 scheme is accounted for on a defined contributions basis and therefore the defined benefit disclosures are not required. However, actuarial valuations for the Plan as a whole have been updated to 31 December 2005 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.

See note 28 for details of the prior period adjustment required as a result of the change in accounting policy due to the adoption of FRS17 during the period.

GEMPS

Contributions are made by the employers and are invested in independently administered life assurance policies or pension plans.

The pension cost charge amounted to £3,000 (year ended 31 December 2004 - £67,000), representing employer's contributions payable for the period.

NOTES TO THE ACCOUNTS

Period ended 31 March 2006

6. PENSION SCHEMES (continued)

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

	2005 £m	2004 £m	2003 £m			
Pension scheme deficit before tax	(15.6)	(6.7)	(7.8)			
Assets in the scheme and the expected rates of return						
	2005		2004	2003		
	Value £m	Long-term rate of expected return	Value £m	Long-term rate of expected return	Value £m	Long-term rate of expected return
Equities	87	7.3%	70.2	7.5%	60.3	7.7%
Gilts	9.5	4.0%	7.5	4.6%	6.3	4.8%
Other	1.3	4.6%	1.3	5.2%	0.2	5.4%
	<u>97.8</u>		<u>79</u>		<u>66.8</u>	
Present value of scheme liabilities	<u>(113.4)</u>		<u>(85.7)</u>		<u>(74.6)</u>	
Pension scheme deficit before tax	(15.6)		(6.7)		(7.8)	
Related deferred tax asset at 30%	<u>4.7</u>		<u>2.0</u>		<u>2.3</u>	
Deficit in scheme	<u>(10.9)</u>		<u>(4.7)</u>		<u>(5.5)</u>	

Major assumptions used by the actuary were:

	2005	2004	2003
Rate of increase in salaries	3.9 - 6.9%	3.9 - 6.9%	6.2%
Rate of increase in pensions payment	2.9%	2.9%	2.7%
Discount rate	4.7%	5.3%	5.4%
Inflation	2.9%	2.9%	2.7%

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Bank interest	<u>176</u>	<u>68</u>

NOTES TO THE ACCOUNTS
Period ended 31 March 2006

8. INTEREST PAYABLE

	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Bank overdraft and loan interest	103	79

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Current period corporation tax credit at 30% (2004 - 30%)	-	-
Deferred tax		
Timing differences, origination and reversal	(333)	(268)
Adjustment in respect of prior years	(45)	28
	<u>(378)</u>	<u>(240)</u>

Factors affecting tax credit for the current period

The tax assessed for the period is different to that resulting from applying the standard rate of corporation tax in the UK: 30% (2004: 30%).

The differences are explained below:

	15 month period ended 31 March 2006 £'000	Year ended 31 December 2004 £'000
Loss on ordinary activities before tax	(471)	(2,649)
Tax credit at 30% thereon:	141	795
Expenses not deductible for tax purposes	(146)	(246)
Capital allowances in excess of depreciation	(13)	(26)
Utilisation of tax losses	(193)	(523)
Notional interest expense	59	-
Profit on sale of fixed asset investments	98	-
Other deferred tax movements	54	-
	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £2,598,000 (2004 - £2,648,000).

NOTES TO THE ACCOUNTS
Period ended 31 March 2006

10. INTANGIBLE FIXED ASSETS - GROUP

	Milk quota £'000	Licences £'000	Total £'000
Cost			
At 1 January 2005	1,997	306	2,303
Disposals	-	-	-
At 31 March 2006	1,997	306	2,303
Accumulated amortisation			
At 1 January 2005	1,997	306	2,303
Disposals	-	-	-
At 31 March 2006	1,997	306	2,303
Net book value			
At 31 March 2006	-	-	-
At 31 December 2004	-	-	-

11. TANGIBLE FIXED ASSETS - GROUP

	Leasehold property and improvements £'000	Plant and equipment £'000	Herd £'000	Total £'000
Cost or valuation				
At 1 January 2005	11,695	8,883	1,365	21,943
Additions	205	1,167	526	1,898
Disposals	(1,556)	(520)	(574)	(2,650)
At 31 March 2006	10,344	9,530	1,317	21,191
Depreciation				
At 1 January 2005	2,710	5,964	154	8,828
Charge for the period	329	1,173	202	1,704
Disposals	(990)	(443)	(201)	(1,634)
At 31 March 2006	2,049	6,694	155	8,898
Net book value				
At 31 March 2006	8,295	2,836	1,162	12,293
At 31 December 2004	8,985	2,919	1,211	13,115

The leasehold property was valued on 31 December 1995 at £8,000,000 at open market value and is included in the accounts at this valuation plus the cost of subsequent additions. The directors took advantage of FRS15 "Tangible Fixed Assets" to retain the leasehold property at this value and as such the value has not been updated. The directors consider the open market value of the leasehold property to be in excess of the carrying value in the accounts.

The historical cost of the leasehold property at 31 December 2005 is £13,500,000 under the historical cost convention (31 December 2004 - £13,460,000).

Included in plant and equipment are assets held under hire purchase contracts having a net book value of £124,000 (31 December 2004 - £147,000).

NOTES TO THE ACCOUNTS
Period ended 31 March 2006

12. SUBSIDIARY UNDERTAKINGS

Company	31 March 2006 £'000	31 December 2004 £'000
Shares at cost		
At 1 January 2005/2004	28,804	28,804
Addition in period	3,000	-
At 31 March 2006/31 December 2004	<u>31,804</u>	<u>28,804</u>
Provisions		
At 1 January 2005/2004	13,216	4,821
Provided in period	4,360	8,395
At 31 March 2006/31 December 2004	<u>17,576</u>	<u>13,216</u>
Net book value		
At 31 March 2006/31 December 2004	<u>14,228</u>	<u>15,588</u>
At 1 January 2005/2004	<u>15,588</u>	<u>23,983</u>

Group

The main subsidiary undertakings and their principal activities at 31 March 2006 were:

		% Owned
Chester Grosvenor Hotel Company Limited	(Hotel & restaurants)	100
Grosvenor Farm Holdings Limited	(Holding company)	100
Grosvenor Farms Limited	(Farming)	100
Eaton Park Farms Limited	(Dormant company)	100
Cogent Breeding Limited	(Dairy breeding)	100
Realty Insurances Limited	(Insurance broking)	100
Deva Holdings Limited	(Holding company)	100
Grosvenor (Insurances) Limited	(Dormant company)	100
Deva GP Limited	(Non trading company)	100
Wheatsheaf Investments	(Dormant company)	100
Wheatsheaf Developments	(Dormant company)	100
Deva General Partner Limited	(Non trading company)	100

Each of the above companies is incorporated in Great Britain and is indirectly owned, with the exception of Deva Holdings Limited, Deva GP Limited and Deva General Partner Limited which are held directly.

All interests are in the form of ordinary shares.

NOTES TO THE ACCOUNTS
Period ended 31 March 2006

13. TRADE INVESTMENTS

Group	31 March 2006 £'000	31 December 2004 £'000
At cost		
At 1 January 2005/2004	1,204	1,204
Disposals	(1,175)	-
At 31 March 2006/31 December 2004	<u>29</u>	<u>1,204</u>
Provisions		
At 1 January 2005/2004	991	903
Disposals	(991)	-
Provided in period	-	88
At 31 March 2006/31 December 2004	<u>-</u>	<u>991</u>
Net book value		
At 31 March 2006/31 December 2004	<u>29</u>	<u>213</u>
At 31 December 2004/31 December 2003	<u>213</u>	<u>301</u>

During the period shares in Dakocytomation Inc were sold for £509,000, realising a profit of £325,000. The remaining trade investments represent the group's interest in XY Inc, an unlisted company registered in the United States. In the opinion of the directors, the fair value is not less than the carrying value.

14. STOCK

	Group		Company	
	31 March 2006 £'000	31 December 2004 £'000	31 March 2006 £'000	31 December 2004 £'000
Livestock	458	575	-	-
Consumables	436	428	-	-
Growing crops	444	361	-	-
Semen	513	447	-	-
Goods for resale	907	1,177	-	-
	<u>2,758</u>	<u>2,988</u>	<u>-</u>	<u>-</u>

The replacement value is not materially different from the above.

NOTES TO THE ACCOUNTS
Period ended 31 March 2006

15. DEBTORS

	Group		Company	
	31 March	31 December	31 March	31 December
	2006	2004	2006	2004
	£'000	(as restated see note 28) £'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	3,076	10,290	-	-
Other debtors	1,049	403	-	-
Prepayments and accrued income	519	361	-	-
	<u>4,644</u>	<u>11,054</u>	<u>-</u>	<u>-</u>
Amounts falling due after one year				
Other debtors	60	58	-	-
Total	<u>4,704</u>	<u>11,112</u>	<u>-</u>	<u>-</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 March	31 December	31 March	31 December
	2006	2004	2006	2004
	£'000	£'000	£'000	£'000
Bank overdrafts	251	87	-	-
Bank loan	500	1,900	-	-
Obligations under hire purchase contracts	34	32	-	-
Trade creditors	5,584	10,526	-	-
Other taxes and social security	485	381	-	-
Accruals and deferred income	879	805	-	-
	<u>7,733</u>	<u>13,731</u>	<u>-</u>	<u>-</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31 March	31 December	31 March	31 December
	2006	2004	2006	2004
	£'000	£'000	£'000	£'000
Related company loan	3,000	3,000	3,000	-
Obligations under hire purchase contracts	-	32	-	-
	<u>3,000</u>	<u>3,032</u>	<u>3,000</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Period ended 31 March 2006

18. PROVISIONS FOR LIABILITIES AND CHARGES

	31 March 2006 £'000	31 December 2004 £'000
Deferred tax		
At 1 January 2005/2004	617	857
Credit to profit and loss account	(378)	(240)
	<u>239</u>	<u>617</u>
At 31 March 2006/31 December 2004		

The analysis of deferred tax is as follows:

	31 March 2006 £'000	31 December 2004 £'000
Capital allowances in excess of depreciation	1,096	1,269
Losses carried forward	(857)	(700)
Pension prepayment	-	48
	<u>239</u>	<u>617</u>

19. AUTHORISED SHARE CAPITAL

	Number of shares	£'000
At 1 January 2005 and 31 March 2006		
Ordinary shares of 10p each	8,000,000	800
Non-voting shares of 10p each	64,000,000	6,400
12% Non-cumulative irredeemable preference shares of 10p each	8,000,000	800
	<u>80,000,000</u>	<u>8,000</u>

Rights of classes of shares

Profits determined by the directors as available for distribution are to be applied first in paying a fixed non-cumulative dividend of 12% per annum on the amounts paid up on 12% non-cumulative irredeemable preference shares. The balance of profits for distribution is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

On a return of the company's assets to shareholders, the assets are to be applied first in repaying to the holders of the 12% non-cumulative irredeemable preference shares other amounts paid up on their shares. The balance of the assets is payable to the holders of the ordinary shares and non-voting ordinary shares in proportion to the amounts paid up on their shares.

Holders of the 12% non-cumulative irredeemable preference shares and non-voting shares are not entitled to vote at general meetings of the members of the company except on resolutions varying or abrogating any of the special rights or privileges attaching to their shares.

NOTES TO ACCOUNTS
Period ended 31 March 2006

20. ALLOTTED, CALLED UP AND FULLY PAID SHARE CAPITAL

	Number of shares	£'000
At 1 January 2005 and 31 March 2006		
Equity interests		
Ordinary shares of 10p each (2004 - 10p)	5,579,541	558
Non-voting shares of 10p each (2004 - 10p)	44,636,328	4,464
12% Non-cumulative irredeemable preference shares of 10p each (2004 - 10p)	5,579,541	558
	<u>55,795,410</u>	<u>5,580</u>

21. RESERVES

	Merger capital reserve £'000	Profit and loss account(as restated see note 28) £'000
Group		
At 1 January 2005 – as previously reported	23,224	(17,399)
Prior year adjustment (note 28)	-	(340)
	<u>23,224</u>	<u>(17,739)</u>
At 1 January 2005 – as restated	-	(93)
Loss for the period	(17,576)	17,576
Transfer between reserves		
	<u>5,648</u>	<u>(256)</u>
Balance at 31 March 2006		

There was no goodwill written off directly to reserves in respect of business acquisitions completed on or before 1 January 1998.

£17,576,000 has been written off investments in previous years and charged to the profit and loss account. The merger reserve relates to these investments, as a result £17,576,000 has been transferred to the profit and loss account in the current period.

	Merger capital reserve £'000	Profit and loss account £'000
Company		
At 1 January 2005	23,224	(13,216)
Loss for the period	-	(4,360)
Transfer between reserves	(17,576)	17,576
	<u>5,648</u>	<u>-</u>
Balance at 31 March 2006		

NOTES TO ACCOUNTS
Period ended 31 March 2006

22. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 March 2006 £'000	31 December 2004 (as restated see note 28) £'000
Group		
Opening shareholders' funds – as previously reported	11,405	13,814
Prior year adjustment (note 28)	(340)	(340)
Opening shareholders' funds – as restated	11,065	13,474
Loss for the period	(93)	(2,409)
Closing shareholders' funds	10,972	11,065
	31 March 2006 £'000	31 December 2004 £'000
Company		
Loss for the period	(4,360)	(8,395)
Opening shareholders' funds	15,588	23,983
Closing shareholders' funds	11,228	15,588

23. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	15 month period from 31 March 2006 £'000	Year ended 31 December 2004 £'000
Operating loss	(890)	(2,550)
Depreciation	1,704	1,671
Amortisation	-	532
Profit on disposal of fixed assets	(51)	(20)
Decrease in trading stocks	230	86
Decrease/(increase) in debtors	6,482	(7,166)
(Decrease)/increase in creditors	(4,764)	6,924
Net cash inflow/(outflow) from operating activities	2,711	(523)

NOTES TO ACCOUNTS
Period ended 31 March 2006

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	15 month period from 31 March 2006 £'000	Year ended 31 December 2004 £'000
Increase/(decrease) in cash in the period	979	(219)
Cash outflow/(inflow) from financing (see note 25)	1,430	(1,807)
New finance leases	-	(157)
Increase/(decrease) in net debt in the period	2,409	(2,183)
Net debt at 1 January	(4,034)	(1,851)
Net funds /(debt) at 31 March/31 December	(1,625)	(4,034)

25. ANALYSIS OF NET DEBT

	At 1 January 2005 £'000	Cash flow £'000	At 31 March 2006 £'000
Cash at bank and in hand	1,017	1,143	2,160
Overdraft	(87)	(164)	(251)
	930	979	1,909
Debt due within one year	(1,932)	1,398	(534)
Debt due after one year	(3,032)	32	(3,000)
	(4,034)	2,409	(1,625)

26. COMMITMENTS

The group was committed to make the following payments in respect of non-cancellable operating leases which expire:

	31 March 2006		31 December 2004	
	Land and buildings £'000	Other assets £'000	Land and buildings £'000	Other assets £'000
Within one year	363	31	378	1
Within 2 to 5 years	277	-	275	-
After 5 years	137	-	139	-
	777	31	792	1

CAPITAL EXPENDITURE COMMITMENTS

	31 March 2006 £'000	31 December 2004 £'000
Contracted for but not provided	-	179

NOTES TO ACCOUNTS

Period ended 31 March 2006

27. RELATED PARTY TRANSACTIONS

The company is wholly owned by trusts and members of the Grosvenor family headed by the Duke of Westminster.

The group arranges insurance cover on normal commercial terms to certain directors, members of the Grosvenor Family and Grosvenor Trusts through its insurance broking subsidiary. Aggregate premiums paid in the 15 month period were £949,000 (31 December 2004 - £883,000). In addition, insurance premiums were paid by other related parties to the group of £17,511,000 (31 December 2004 - £10,890,000).

Rental and other administrative costs totalling £992,000 (31 December 2004 - £621,000) were paid by group companies to a Grosvenor Trust whose trustees form a majority of the directors. At 31 March 2006 Group companies owed the Trust £68,000 (31 December 2004 - £31,000). In addition, subsidiaries within the group provided services to this Trust of £33,000 (31 December - £31,000). At 31 March 2006 the Trust owed Group companies £3,000 (31 December 2004 - £Nil).

Rent and management charges totalling £651,000 (31 December 2004 - £419,000) were paid to companies within Grosvenor Group Ltd. At 31 March 2006 Group companies owed £76,000 (31 December 2004 - £29,000) to these companies. Deva Group Ltd and Grosvenor Group Ltd are under common control. In addition, subsidiaries within the group provided services to Grosvenor Group Ltd of £294,000 (31 December 2004 - £255,000) and at the period end £5,000 was included in debtors in respect of this (31 December 2004 - £3,000).

There is a commitment by Grosvenor Group Limited to provide financial assistance to Deva Group Limited and its subsidiaries up to £22m (31 December 2004 - £22m).

28. PRIOR YEAR ADJUSTMENT

As a result of the adoption of FRS 17, the balance sheet has been restated to reflect the impact of moving from SSAP 24 to FRS 17. The defined benefit pension scheme operated by the group is a multi-employer scheme and the group's share of the underlying assets and liabilities cannot be identified. As a result, FRS17 requires that the scheme is accounted for on a defined contribution scheme basis and therefore the contribution made in 2003 of £340,000 (previously carried as a prepayment) would have been charged direct to the profit and loss account in that year.

The effects of this change in accounting policy on the year ended 31 December 2004 is disclosed in the table below:

	As previously reported £'000	FRS 17 adoption £'000	31 December 2004 financial statements £'000
Balance sheet			
Prepayments (debtors)	701	(340)	361
Profit and loss reserve	(17,399)	(340)	(17,739)
Shareholders' funds	11,405	(340)	11,065

There is no impact on the profit and loss account for the year ended 31 December 2004.