

670040

CHELSEA SECURITIES "B" LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2003



CHELSEA SECURITIES "B" LIMITED**31 DECEMBER 2003**

Directors: The Earl Cadogan D.L.

Viscount Chelsea

S A Corbyn

R J Grant

Secretary: P M Loutit

Registered office: 18 Cadogan Gardens
London SW3 2RP

Registered number: 670040

CHELSEA SECURITIES "B" LIMITED

DIRECTORS' REPORT

The directors present their report for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The company continues to be an investment holding company.

RESULTS AND DIVIDEND

The accounts show a profit for the year attributable to shareholders of £20,369. The directors recommend the payment of a dividend of £28,000.

DIRECTORS

The current directors are listed on page 1 and held office throughout the year under review.

None of the directors has any beneficial interest in the shares of the company.

THE DIRECTORS' RESPONSIBILITIES IN RELATION TO THE COMPANY'S ACCOUNTS

The directors are required by the Companies Act 1985 to prepare accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the result for the year. The directors consider that, in preparing the accounts which accompany this report, the company has used appropriate accounting policies, and that all accounting standards which they believe to be applicable have been followed. They further consider that these accounting policies have been consistently applied and are supported by reasonable and prudent judgements and estimates.

The accounts have been prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the company's assets and to prevent and detect fraud and other irregularities.

By order of the board



PM Loutit
Secretary

22 April 2004

REPORT OF THE AUDITORS
TO THE MEMBERS OF CHELSEA SECURITIES "B" LIMITED

We have audited the company's accounts for the year ended 31 December 2003 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses, reconciliation of shareholders' funds and the related notes 1 to 9. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view 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 accounts, 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 with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

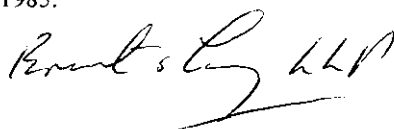
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered auditor
London



22 April 2004

CHELSEA SECURITIES "B" LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £	2002 £
INCOME			
Income from fixed asset investments	2	20,601	18,394
Bank deposit interest receivable		2,028	2,249
		<u>22,629</u>	<u>20,643</u>
 ADMINISTRATIVE EXPENSES			
Auditors' remuneration:			
Audit fee		1,997	1,880
Other services		1,000	600
Other administrative expenses		4,308	4,538
		<u>7,305</u>	<u>7,018</u>
Provision for diminution in value of investments		7,144	-
		<u>14,449</u>	<u>7,018</u>
 OPERATING PROFIT		8,180	13,625
Profit on sale of investments		12,189	203
		<u>20,369</u>	<u>13,828</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		20,369	13,828
Taxation on profit on ordinary activities	4	-	-
		<u>20,369</u>	<u>13,828</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		20,369	13,828
Proposed dividend		28,000	-
		<u>20,369</u>	<u>13,828</u>
RETAINED (LOSS)/ PROFIT FOR THE FINANCIAL YEAR	7	(7,631)	13,828

A statement of movement on reserves is set out in note 7.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than the profit attributable to shareholders of the company of £20,369 in the year ended 31 December 2003 and £13,828 in the year ended 31 December 2002.

Notes 1 to 9 form an integral part of these accounts

CHELSEA SECURITIES "B" LIMITED

BALANCE SHEET
31 DECEMBER 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Investments	5	276,049	264,279
CURRENT ASSETS			
Debtors		450	500
Taxation		1,943	944
Cash at bank		91,117	83,391
		93,510	84,835
CREDITORS - amounts falling due within one year			
Other creditors		5,219	5,143
Dividend payable		28,000	-
		33,219	5,143
NET CURRENT ASSETS			
		60,291	79,692
		336,340	343,971
CAPITAL AND RESERVES			
Called-up share capital	6	100	100
Capital reserve	7	334,454	329,409
Profit and loss account	7	1,786	14,462
SHAREHOLDERS' FUNDS			
	8	336,340	343,971



S A Corbyn
Director



R J Grant
Director

22 April 2004

Notes 1 to 9 form an integral part of the accounts

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2003

1 ACCOUNTING POLICIES

- (a) **Accounting convention**
The accounts have been prepared in accordance with all applicable accounting standards and under the historical cost convention.
- (b) **Income from fixed asset investments**
Dividends and interest received from investments, other than from British Government stocks, are credited to the profit and loss account on the due payment dates without making any adjustments for amounts accrued at the dates of purchase and sale of the securities.
- (c) **Foreign currencies**
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.
- (d) **Fixed asset investments**
Fixed asset investments are included in the balance sheet at the lower of cost and market value.
- (e) **Cash flow statement**
As the company is a small company it has made use of the exemption in Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement.

2 INCOME FROM FIXED ASSET INVESTMENTS

	2003 £	2002 £
Listed investments:		
Franked income	16,607	14,616
Unfranked income	3,994	3,778
	<u>20,601</u>	<u>18,394</u>

3 EMOLUMENTS OF DIRECTORS

The directors received no remuneration during the year (2002 - nil).

4 TAXATION

(a) Analysis of charge in the year:	2003 £	2002 £
Current tax:		
UK corporation tax	-	-
Irrecoverable foreign tax	-	-
Adjustment in respect of previous years	-	-
	<u>-</u>	<u>-</u>

The company is a close investment holding company.

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2003

4 TAXATION (continued)

(b) Factors affecting tax charge for the year

The tax charge for the current year is less than the current standard rate of corporation tax in the UK (30%: 2002 - 30%). The difference is explained as follows:

	2003	2002
	%	%
Standard tax rate	30	30
Actual current tax rate	-	-
Difference	<u>(30)</u>	<u>(30)</u>
Explained by:		
Non taxable profit on sale of investments	(13)	-
Non taxable dividends received	(17)	(30)
	<u>(30)</u>	<u>(30)</u>

(c) Factors that may affect future tax charges

The company expects its future tax charge will continue to be less than the standard UK tax rate as a result of the receipt of non taxable dividend income.

5 INVESTMENTS

	£
Cost at 31 December 2002	264,279
Additions	80,016
Disposals	<u>(61,102)</u>
Cost at 31 December 2003	<u>283,193</u>
Diminution in value	
Charge for year	<u>7,144</u>
Net book value at 31 December 2003	<u>276,049</u>
Net book value at 31 December 2002	<u>264,279</u>
Market value	
At 31 December 2003	<u>655,858</u>
At 31 December 2002	<u>584,955</u>

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS

31 DECEMBER 2003

5 INVESTMENTS (continued)

The investments include the following holdings which individually exceed 10% of the total cost:

Company	Holding	Country of incorporation/ registration
RIT Capital Partners plc	11,500 ordinary shares	England
Scottish Mortgage & Trust plc	11,500 ordinary shares	Scotland
Vodafone Group	24,000 ordinary shares	England

Each holding represents less than 1% of the company's issued share capital.

The taxation liability that would arise if the investments were realised at their market value would amount to £91,000 (2002 - £76,000).

6 CALLED UP SHARE CAPITAL

	2003	2002
Shares of £1 each		
Authorised	£1,000	£1,000
	<hr/>	<hr/>
Allotted and fully paid	£100	£100
	<hr/>	<hr/>

7 RESERVES

	Capital reserve £	Profit and loss £
Retained loss for the year	-	(7,631)
Transfer of net profit on sale of investments	12,189	(12,189)
Transfer of provision for diminution in value of investments	(7,144)	7,144
	<hr/>	<hr/>
	5,045	(12,676)
Balances at 31 December 2002	329,409	14,462
	<hr/>	<hr/>
Balances at 31 December 2003	<u>334,454</u>	<u>1,786</u>

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2003

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2003 £	2002 £
Profit attributable to members	20,369	13,828
Dividends	28,000	-
	<hr/>	<hr/>
Net (reduction in)/addition to shareholders' funds	(7,631)	13,828
Opening shareholders' funds	343,971	330,143
	<hr/>	<hr/>
Closing shareholders' funds	336,340	343,971
	<hr/>	<hr/>

9 ULTIMATE OWNERSHIP

The ultimate ownership of the company is vested in The Eighth Earl Cadogan's 4 December 1961 Settlement.