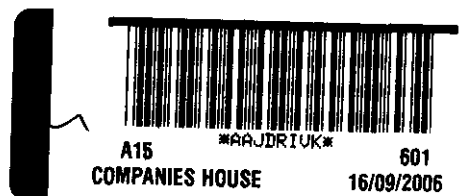


670040

**CHELSEA SECURITIES "B" LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2005**



**CHELSEA SECURITIES "B" LIMITED****31 DECEMBER 2005**

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

Auditors:                   Ernst & Young LLP  
                                1 More London Place  
                                London SE1 2AF

## **CHELSEA SECURITIES "B" LIMITED**

### **DIRECTORS' REPORT**

The directors present their report for the year ended 31 December 2005.

#### **PRINCIPAL ACTIVITY**

The company continues to be an investment holding company.

#### **RESULTS AND DIVIDEND**

The financial statements show a profit for the year attributable to shareholders of £16,532 (2004 - £13,916). The directors do not recommend the payment of a dividend (2004 - £15,000).

#### **DIRECTORS**

The directors holding office during the financial year and up to the date of this report are listed on page 1.

Neither of the directors has any beneficial interest in the shares of the company or the holding company.

The company has taken out indemnity insurance in respect of its own and its subsidiaries' directors and officers.

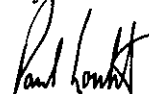
#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year 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 of the company for the year. The directors consider that, in preparing the financial statements 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 financial statements 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 financial statements 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

20 April 2006

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

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses and the related notes 1 to 10. These financial statements have been prepared on the basis of 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards as set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 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 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**

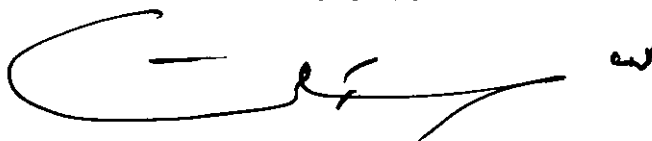
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

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 affairs of the company as at 31 December 2005 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



20 April 2006

# **CHELSEA SECURITIES "B" LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £
<b>INCOME</b>			
Income from fixed asset investments	2	22,905	19,947
Bank deposit interest receivable		2,611	1,819
		<u>25,516</u>	<u>21,766</u>
Administrative expenses		<u>8,984</u>	<u>7,788</u>
<b>OPERATING PROFIT</b>	3	16,532	13,978
(Loss)/Profit on sale of investments		-	(62)
		<u>16,532</u>	<u>13,916</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		16,532	13,916
Taxation on profit on ordinary activities	5	-	-
		<u>16,532</u>	<u>13,916</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		16,532	13,916
Dividend		-	15,000
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR 8</b>		<u>16,532</u>	<u>(1,084)</u>

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

There were no recognised gains and losses other than the profit attributable to shareholders of the company in the year ended 31 December 2005 and in the year ended 31 December 2004.

*Notes 1 to 10 form an integral part of these financial statements*

# CHELSEA SECURITIES "B" LIMITED

## BALANCE SHEET 31 DECEMBER 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	6	<u>272,018</u>	<u>272,018</u>
<b>CURRENT ASSETS</b>			
Debtors		500	400
Taxation		4,164	2,926
Cash at bank		<u>83,672</u>	<u>74,515</u>
		<u>88,336</u>	<u>77,841</u>
<b>CREDITORS</b> - amounts falling due within one year			
Other creditors		8,566	6,603
Dividend payable		-	8,000
		<u>8,566</u>	<u>14,603</u>
<b>NET CURRENT ASSETS</b>		<u>79,770</u>	<u>63,238</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>351,788</u></u>	<u><u>335,256</u></u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	7	100	100
Capital reserve	8	334,392	334,392
Profit and loss account	8	<u>17,296</u>	<u>764</u>
<b>SHAREHOLDERS' FUNDS</b>	9	<u><u>351,788</u></u>	<u><u>335,256</u></u>

S A Corby  
Director

R J Grant  
Director

20 April 2006

*Notes 1 to 10 form an integral part of the financial statements*

# CHELSEA SECURITIES "B" LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2005

### 1 ACCOUNTING POLICIES

- (a) Accounting convention  
The financial statements 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 under Financial Reporting Standard 1 (Revised), "Cash Flow Statements", not to prepare a cash flow statement.

### 2 INCOME FROM FIXED ASSET INVESTMENTS

	2005 £	2004 £
Listed investments:		
Franked income	17,951	16,014
Unfranked income	4,954	3,933
	<u>22,905</u>	<u>19,947</u>

### 3 OPERATING PROFIT is stated after charging:

	2005 £	2004 £
Auditors' remuneration:		
As auditors	2,937	2,350
Other services	1,000	1,000
	<u>          </u>	<u>          </u>

# **CHELSEA SECURITIES "B" LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2005**

### **4 EMOLUMENTS OF DIRECTORS**

The directors received no remuneration during the year (2004 - nil).

### **5 TAXATION**

**(a) Analysis of charge in the year:**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK corporation tax	-	-
Adjustment in respect of previous years	-	-
	<u>          </u>	<u>          </u>
	-	-
	<u>=====</u>	<u>=====</u>

The company is a close investment holding company.

**(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%; 2004 - 30%). The difference is explained as follows:

	<b>2005</b>	<b>2004</b>
	<b>%</b>	<b>%</b>
Standard tax rate	<b>30</b>	30
Actual current tax rate	-	-
Difference	<u><b>(30)</b></u>	<u><b>(30)</b></u>
Explained by:		
Non taxable loss/(profit) on sale of investments	-	15
Non taxable dividends received	<b>(33)</b>	(35)
Movement in provision	-	(16)
Losses not available for surrender	<b>5</b>	6
Sundry permanent differences	<b>(2)</b>	-
	<u><b>(30)</b></u>	<u><b>(30)</b></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.



# CHELSEA SECURITIES "B" LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2005

### 6 INVESTMENTS

	£
Cost at 31 December 2004	272,018
Additions	-
Disposals	-
	<hr/>
Cost at 31 December 2005	272,018
	<hr/> <hr/>
 Net book value at 31 December 2005	 272,018
	<hr/> <hr/>
Net book value at 31 December 2004	272,018
	<hr/> <hr/>
Market value	
 At 31 December 2005	 844,884
	<hr/>
 At 31 December 2004	 708,829
	<hr/>

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

Company	Holding	Country of incorporation/ registration
Cazenove Investment Fund Management	35,000 units	England
RIT Capital Partners plc	11,500 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 £145,000 (2004 - £107,000).

# CHELSEA SECURITIES "B" LIMITED

## NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2005

### 7 CALLED UP SHARE CAPITAL

	2005 £	2004 £
1,000 Authorised ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
100 Allotted and fully paid ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 8 RESERVES

	Capital reserve £	Profit and loss £
Retained profit for the year	-	16,532
Balances at 31 December 2004	<u>334,392</u>	<u>764</u>
<b>Balances at 31 December 2005</b>	<u><b>334,392</b></u>	<u><b>17,296</b></u>

### 9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit attributable to members	16,532	13,916
Dividends	-	15,000
Net addition to/(reduction in) shareholders' funds	<u>16,532</u>	<u>(1,084)</u>
Opening shareholders' funds	<u>335,256</u>	<u>336,340</u>
Closing shareholders' funds	<u><b>351,788</b></u>	<u><b>335,256</b></u>

### 10 ULTIMATE OWNERSHIP

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