

CHELSEA SECURITIES "B" LIMITED
(Registered number: 670040)

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2007

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CHELSEA SECURITIES "B" LIMITED**31 DECEMBER 2007**

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 2007

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 £32,105 (2006 - £79,512) The directors recommended and paid a dividend of £16,000 (2006 - £17,000) during the year

DIRECTORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that 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

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

By order of the board



PM Loutit

Secretary

17 September 2008

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 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 10. 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 financial statements in accordance with applicable United Kingdom law and 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 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 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

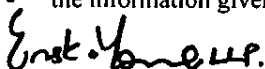
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 the company's affairs as at 31 December 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.



Ernst & Young LLP
Registered auditor
London
17 September 2008

CHELSEA SECURITIES "B" LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
INCOME			
Income from fixed asset investments	2	23,775	23,479
Bank deposit interest receivable		4,415	2,229
		<u>28,190</u>	<u>25,708</u>
Administrative expenses		<u>(10,019)</u>	<u>(9,392)</u>
OPERATING PROFIT	3	18,171	16,316
Profit on sale of investments		16,964	69,384
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		35,135	85,700
Taxation on profit on ordinary activities	5	(3,030)	(6,188)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		32,105	79,512
Dividend		(16,000)	(17,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	8	<u>16,105</u>	<u>62,512</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 of £32,105 in the year ended 31 December 2007 and £79,512 in the year ended 31 December 2006

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


CHELSEA SECURITIES "B" LIMITED

BALANCE SHEET 31 DECEMBER 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	6	<u>314,838</u>	<u>353,529</u>
CURRENT ASSETS			
Debtors		900	1,011
Cash at bank		<u>131,398</u>	<u>69,392</u>
		<u>132,298</u>	<u>70,403</u>
CREDITORS - amounts falling due within one year			
Other creditors		13,187	8,541
Taxation		<u>3,544</u>	<u>1,091</u>
		<u>16,731</u>	<u>9,632</u>
NET CURRENT ASSETS		<u>115,567</u>	<u>60,771</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>430,405</u></u>	<u><u>414,300</u></u>
CAPITAL AND RESERVES			
Called-up share capital	7	100	100
Capital reserve	8	420,740	403,776
Profit and loss account	8	<u>9,565</u>	<u>10,424</u>
SHAREHOLDERS' FUNDS	9	<u><u>430,405</u></u>	<u><u>414,300</u></u>



S A Corbyn
Director



R J Grant
Director

17 September 2008

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

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

	2007 £	2006 £
Listed investments	<u>23,775</u>	<u>23,479</u>

3 OPERATING PROFIT is stated after charging

	2007 £	2006 £
Auditors' remuneration		
Audit of the financial statements	3,525	3,231
Other fees to auditors – taxation services	-	1,000
	<u> </u>	<u> </u>

4 EMOLUMENTS OF DIRECTORS

The directors received no remuneration during the year (2006 - nil)

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE FINANCIAL STATEMENTS **31 DECEMBER 2007**

5 TAXATION

(a) Analysis of charge in the year

	2007	2006
	£	£
Current tax		
UK corporation tax	2,744	2,024
Double taxation relief	(291)	(933)
	<u>2,453</u>	<u>1,091</u>
Foreign tax		
Current year	291	933
Adjustment in respect of previous years	286	4,164
	<u>577</u>	<u>5,097</u>
	<u><u>3,030</u></u>	<u><u>6,188</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%, 2006 - 30%) The difference is explained as follows:

	2007	2006
	%	%
Standard tax rate	30	30
Actual current tax rate	(8)	(7)
Difference	<u>(22)</u>	<u>(23)</u>
Explained by		
Capital gains – indexation, rebasing	(4)	(5)
Non taxable dividends received	(19)	(7)
Prior period adjustments	1	5
Utilisation of brought forward losses	-	(16)
	<u><u>(22)</u></u>	<u><u>(23)</u></u>

(c) Factors that may affect future tax charges

The UK corporation tax rate decreased from 30% to 28% on 1 April 2008 This rate change will affect the amounts of future cash tax payments made by the company

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 2007

6 INVESTMENTS

	£
Cost at 31 December 2006	353,529
Additions	-
Disposals	(38,691)
Cost at 31 December 2007	<u>314,838</u>
 Net book value at 31 December 2007	 <u>314,838</u>
Net book value at 31 December 2006	<u>353,529</u>
 Market value	
At 31 December 2007	<u>969,206</u>
At 31 December 2006	<u>928,921</u>

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

Company	Holding	Country of incorporation/ registration
Cazenove Investment Fund Management Strategic Bond Fd Class A Inc	40,000 units	England
Cazenove Absolute Red Ptg	50,000 preference shares	England
RIT Capital Partners plc	11,500 ordinary shares	England

The taxation liability that would arise if the investments were realised at their market value would amount to £175,000 (2006 - £155,000)

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE FINANCIAL STATEMENTS **31 DECEMBER 2007**

7 CALLED UP SHARE CAPITAL

	2007 £	2006 £
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	-	16,105
Transfer of net profit on sale of investments	16,964	(16,964)
	<u>16,964</u>	<u>(859)</u>
Balances at 31 December 2006	<u>403,776</u>	<u>10,424</u>
Balances at 31 December 2007	<u><u>420,740</u></u>	<u><u>9,565</u></u>

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit attributable to members	32,105	79,512
Dividends	<u>(16,000)</u>	<u>(17,000)</u>
Net addition to shareholders' funds	16,105	62,512
Opening shareholders' funds	<u>414,300</u>	<u>351,788</u>
Closing shareholders' funds	<u><u>430,405</u></u>	<u><u>414,300</u></u>

10 ULTIMATE OWNERSHIP

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