

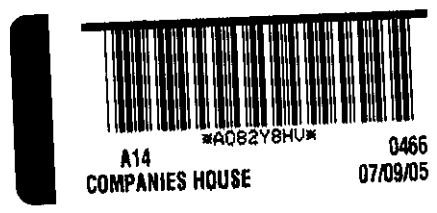
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CHELSEA SECURITIES "B" LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2004



CHELSEA SECURITIES "B" LIMITED**31 DECEMBER 2004**

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 2004.

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 £13,916. The directors recommend the payment of a dividend of £15,000.

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 company has taken out indemnity insurance in respect of its directors and officers.

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

21 April 2005

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 2004 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses and the related notes 1 to 10. 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.

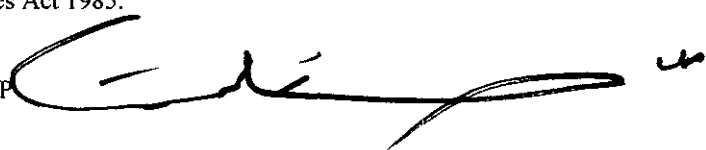
Basis of audit opinion

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 2004 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



21 April 2005

CHELSEA SECURITIES "B" LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

| | Note | 2004 £ | 2003 £ |
|--|------|----------------|----------------|
| INCOME | | | |
| Income from fixed asset investments | 2 | 19,947 | 20,601 |
| Bank deposit interest receivable | | 1,819 | 2,028 |
| | | <u>21,766</u> | <u>22,629</u> |
| Administrative expenses | | 7,788 | 7,305 |
| Provision for diminution in value of investments | | - | 7,144 |
| | | <u>7,788</u> | <u>14,449</u> |
| OPERATING PROFIT | | 13,978 | 8,180 |
| (Loss)/Profit on sale of investments | | (62) | 12,189 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 13,916 | 20,369 |
| Taxation on profit on ordinary activities | 5 | - | - |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 13,916 | 20,369 |
| Dividend | | 15,000 | 28,000 |
| RETAINED LOSS FOR THE FINANCIAL YEAR | 8 | (1,084) | (7,631) |

A statement of movement on reserves is set out in note 8.

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 £13,916 in the year ended 31 December 2004 and £20,369 in the year ended 31 December 2003.

Notes 1 to 10 form an integral part of these accounts

CHELSEA SECURITIES "B" LIMITED

BALANCE SHEET
31 DECEMBER 2004

| | Note | 2004 £ | 2003 £ |
|--|------|-----------------------|-----------------------|
| FIXED ASSETS | | | |
| Investments | 6 | <u>272,018</u> | <u>276,049</u> |
| CURRENT ASSETS | | | |
| Debtors | | 400 | 450 |
| Taxation | | 2,926 | 1,943 |
| Cash at bank | | <u>74,515</u> | <u>91,117</u> |
| | | <u>77,841</u> | <u>93,510</u> |
| CREDITORS - amounts falling due within one year | | | |
| Other creditors | | 6,603 | 5,219 |
| Dividend payable | | <u>8,000</u> | <u>28,000</u> |
| | | <u>14,603</u> | <u>33,219</u> |
| NET CURRENT ASSETS | | <u>63,238</u> | <u>60,291</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u><u>335,256</u></u> | <u><u>336,340</u></u> |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 7 | 100 | 100 |
| Capital reserve | 8 | 334,392 | 334,454 |
| Profit and loss account | 8 | <u>764</u> | <u>1,786</u> |
| SHAREHOLDERS' FUNDS | 9 | <u><u>335,256</u></u> | <u><u>336,340</u></u> |

S A Corbyn
Director

R J Grant
Director

21 April 2005

Notes 1 to 10 form an integral part of the accounts

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2004

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

| | 2004 £ | 2003 £ |
|---------------------|---------------|---------------|
| Listed investments: | | |
| Franked income | 16,014 | 16,607 |
| Unfranked income | 3,933 | 3,994 |
| | <u>19,947</u> | <u>20,601</u> |

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging:

| | 2004 £ | 2003 £ |
|-------------------------|--------------|--------------|
| Auditors' remuneration: | | |
| As auditors | 2,350 | 1,998 |
| Other services | 1,000 | 1,000 |
| | <u>-----</u> | <u>-----</u> |

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2004

4 EMOLUMENTS OF DIRECTORS

The directors received no remuneration during the year (2003 - nil).

5 TAXATION

(a) Analysis of charge in the year:

| | 2004 | 2003 |
|---|-------------|-------------|
| | £ | £ |
| 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%: 2003 - 30%). The difference is explained as follows:

| | 2004 | 2003 |
|--|-------------|-------------|
| | % | % |
| Standard tax rate | 30 | 30 |
| Actual current tax rate | - | - |
| Difference | <u>(30)</u> | <u>(30)</u> |
| Explained by: | | |
| Non taxable loss/(profit) on sale of investments | 15 | (13) |
| Non taxable dividends received | (35) | (17) |
| Movement in provision | (16) | 0 |
| Losses not available for surrender | 6 | 0 |
| | <u>(30)</u> | <u>(30)</u> |
| | <u>==</u> | <u>==</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 ACCOUNTS 31 DECEMBER 2004

6 INVESTMENTS

| | £ |
|---|----------------|
| Cost at 31 December 2003 | 283,193 |
| Additions | 38,691 |
| Disposals | (49,866) |
| | <hr/> |
| Cost at 31 December 2004 | 272,018 |
| | <hr/> |
| Diminution in value at 31 December 2003 | 7,144 |
| Disposals | (7,144) |
| | <hr/> |
| Diminution in value at 31 December 2004 | - |
| | <hr/> |
| Net book value at 31 December 2004 | 272,018 |
| | <hr/> |
| Net book value at 31 December 2003 | 276,049 |
| | <hr/> |
| Market value | |
| At 31 December 2004 | 708,829 |
| | <hr/> |
| At 31 December 2003 | 655,858 |
| | <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 |
| 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 £107,000 (2003 - £91,000).

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2004

7 CALLED UP SHARE CAPITAL

| | 2004 | 2003 |
|-------------------------|---------------|--------|
| Shares of £1 each | | |
| Authorised | £1,000 | £1,000 |
| | <hr/> | <hr/> |
| Allotted and fully paid | £100 | £100 |
| | <hr/> | <hr/> |

8 RESERVES

| | Capital reserve £ | Profit and loss £ |
|---|-------------------------|-------------------------|
| Retained loss for the year | - | (1,084) |
| Transfer of net loss on sale of investments | (62) | 62 |
| | <hr/> | <hr/> |
| | (62) | (1,022) |
| Balances at 31 December 2003 | 334,454 | 1,786 |
| | <hr/> | <hr/> |
| Balances at 31 December 2004 | 334,392 | 764 |
| | <hr/> <hr/> | <hr/> <hr/> |

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2004 £ | 2003 £ |
|--------------------------------------|----------------|-------------|
| Profit attributable to members | 13,916 | 20,369 |
| Dividends | 15,000 | 28,000 |
| | <hr/> | <hr/> |
| Net reduction in shareholders' funds | (1,084) | (7,631) |
| Opening shareholders' funds | 336,340 | 343,971 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 335,256 | 336,340 |
| | <hr/> <hr/> | <hr/> <hr/> |

10 ULTIMATE OWNERSHIP

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