

SIGNED copy

CHELSEA SECURITIES "B" LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1998

670040



CHELSEA SECURITIES "B" LIMITED**31 DECEMBER 1998**

Directors: The Earl Cadogan D.L.

Viscount Chelsea

S A Corbyn

R J Grant

Secretary: J L Treves

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 1998.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The company continues to be an investment holding company.

ACCOUNTS AND DIVIDENDS

The accounts show a profit for the year attributable to shareholders of £24,759. The directors recommend the payment of a dividend of £19,000.

DIRECTORS

The current directors are listed on page 1. The Earl Cadogan and Mr Corbyn held office throughout the year under review. *Viscount Chelsea and Mr Grant were appointed directors on 1 October 1998.*

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.

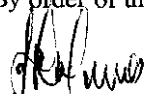
YEAR 2000

The company has been assessing the potential impact of year 2000 problems on its internal systems and on those of its principal suppliers. The principal internal systems are relatively new in all cases and appropriate assurances have been obtained from suppliers of the necessary compliance. Additionally, various testing procedures are being carried out to confirm compliance with year 2000 requirements. A programme has been initiated to obtain confirmation from the company's principal suppliers as to their readiness to deal with their own year 2000 issues.

Given the complexity of the issues surrounding the year 2000 and computer systems it is not possible for any organisation to guarantee that all problems have been dealt with. However the board believes that it will achieve an acceptable state of readiness and that it has arranged for sufficient resources to be available to deal promptly with any subsequent failures or issues that may arise at the year-end and thereafter.

All the costs involved in implementing new computer systems and in other preparations for dealing with year 2000 issues are included within the company's normal recurring activities and cannot be separately identified.

By order of the board



J L Treves

Secretary

28 May 1999

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

We have audited the accounts on pages 4 to 8 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

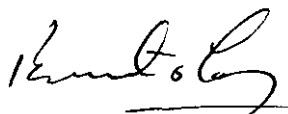
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered auditor
London
28 May 1999

CHELSEA SECURITIES "B" LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £	1997 £
INCOME			
Income from fixed asset investments	2	28,651	27,305
Bank deposit interest receivable		2,743	2,248
		<u>31,394</u>	<u>29,553</u>
 ADMINISTRATIVE EXPENSES			
Auditors' remuneration:			
Audit fee		940	823
Other services		600	600
Interest on bank advances repayable within 5 years		33	-
Other administrative expenses		6,585	5,914
		<u>8,158</u>	<u>7,337</u>
 OPERATING INCOME		<u>23,236</u>	<u>22,216</u>
Profit on sales of investments	7	7,479	11,063
 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>30,715</u>	<u>33,279</u>
Taxation on profit on ordinary activities	4	5,956	5,905
 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>24,759</u>	<u>27,374</u>
Proposed dividend		19,000	17,000
 RETAINED PROFIT FOR THE FINANCIAL YEAR		<u><u>£5,759</u></u>	<u><u>£10,374</u></u>

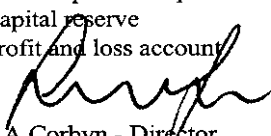

A statement of movement on reserves is set out in note 7.

RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than the profit attributable to shareholders of the company of £24,759 in the year ended 31 December 1998 and £27,374 in the year ended 31 December 1997.

CHELSEA SECURITIES "B" LIMITED

BALANCE SHEET 31 DECEMBER 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Investments	5	217,731	199,072
CURRENT ASSETS			
Debtors		682	464
Taxation		160	-
Cash at bank		39,539	52,937
		<u>40,381</u>	<u>53,401</u>
CREDITORS - amounts falling due within one year			
Other creditors		4,644	4,427
Taxation		-	337
Dividends		36,000	36,000
		<u>40,644</u>	<u>40,764</u>
NET CURRENT (LIABILITIES)/ASSETS		(263)	12,637
		<u>£217,468</u>	<u>£211,709</u>
CAPITAL AND RESERVES			
Called-up share capital	6	100	100
Capital reserve	7	216,995	210,600
Profit and loss account	7	373	1,009
 S.A. Corbyn - Director			
 R.J. Grant - Director			
28 May 1999			
	8	<u>£217,468</u>	<u>£211,709</u>

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 1998

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.
- Franked income includes the tax credit relating to dividends receivable and this tax has been written off in the taxation charge.
- (c) **Foreign currencies**
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

2 INCOME FROM FIXED ASSET INVESTMENTS

	1998 £	1997 £
Listed investments:		
Franked income	17,721	21,621
Unfranked income	10,930	5,684
	<u>£28,651</u>	<u>£27,305</u>

3 EMOLUMENTS OF DIRECTORS

The directors received no remuneration during the year (1997 - nil).

4 TAXATION

- (a) Provision has been made for corporation tax at current rates on the assessable profit for the year. The taxation charge in the profit and loss account comprises the following:

	1998 £	1997 £
Corporation tax	643	987
Tax credit on UK dividends received	5,065	4,884
Irrecoverable foreign tax	-	35
Adjustment in respect of previous years	248	(1)
	<u>£5,956</u>	<u>£5,905</u>

The company is a close investment holding company.

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS **31 DECEMBER 1998**

5 INVESTMENTS

	£
Cost at 31 December 1997	199,072
Additions	47,974
Sales	(29,315)
Cost at 31 December 1998	<u>£217,731</u>
Market value	
At 31 December 1998	<u>£938,559</u>
at 31 December 1997	<u>£906,158</u>

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

Company	Holding	Country of incorporation/ registration
ABN-Amro Holdings NV	3,000 ordinary shares	Netherlands
National Westminster Bank plc	3,000 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 £198,000 (1997 - £193,000).

6 CALLED UP SHARE CAPITAL

	1998	1997
Shares of £1 each		
Authorised	<u>£1,000</u>	<u>£1,000</u>
Allotted and fully paid	<u>£100</u>	<u>£100</u>

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS **31 DECEMBER 1998**

7 RESERVES

	Capital reserve £	Profit and loss £
Retained profit for the year	-	5,759
Transfer to capital reserve:		
Profit on sale of investments	7,479	(7,479)
Attributable taxation	(1,084)	1,084
	<u>6,395</u>	<u>(636)</u>
Balances at 31 December 1997	210,600	1,009
Balances at 31 December 1998	<u>£216,995</u>	<u>£373</u>

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	1998 £	1997 £
Profit attributable to members	24,759	27,374
Dividends	19,000	17,000
Net addition to shareholders' funds	<u>5,759</u>	<u>10,374</u>
Opening shareholders' funds	211,709	201,335
Closing shareholders' funds	<u>£217,468</u>	<u>£211,709</u>

9 ULTIMATE OWNERSHIP

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