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670040

CHELSEA SECURITIES "B" LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2001



CHELSEA SECURITIES "B" LIMITED**31 DECEMBER 2001**

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 2001.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The company continues to be an investment holding company.

ACCOUNTS AND DIVIDENDS

The accounts show a loss for the year attributable to shareholders of £11,098. The directors recommend the payment of a dividend of £14,000.

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



J L Treves
Secretary

18 April 2002

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 2001 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 financial statements have been prepared on the basis of the accounting policies set out therein.

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 financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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.

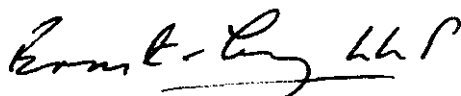
Basis of audit opinion

We conducted our audit in accordance with 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 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 of the state of affairs of the company as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered auditor
London

18 April 2002

CHELSEA SECURITIES "B" LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 £	2000 £
INCOME			
Income from fixed asset investments	2	17,525	23,743
Bank deposit interest receivable		5,054	2,767
		<u>22,579</u>	<u>26,510</u>
ADMINISTRATIVE EXPENSES			
Auditors' remuneration:			
Audit fee		1,763	1,116
Other services		600	600
Other administrative expenses		5,265	6,048
		<u>7,628</u>	<u>7,764</u>
OPERATING INCOME		14,951	18,746
(Loss)/profit on sales of investments		<u>(25,329)</u>	<u>187,807</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(10,378)	206,553
Taxation on (loss)/profit on ordinary activities	4	<u>(720)</u>	<u>(50,267)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(11,098)	156,286
Proposed dividend		14,000	19,000
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	7	<u>£(25,098)</u>	<u>£137,286</u>

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

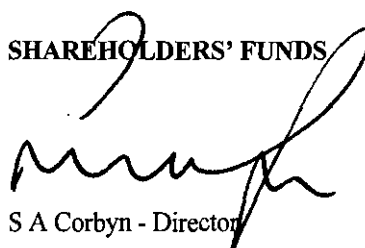
RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than the loss attributable to shareholders of the company of £11,098 in the year ended 31 December 2001 and the profit of £156,286 in the year ended 31 December 2000.


CHELSEA SECURITIES "B" LIMITED

BALANCE SHEET 31 DECEMBER 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Investments	5	<u>273,923</u>	<u>367,033</u>
CURRENT ASSETS			
Debtors		469	465
Cash at bank		<u>74,684</u>	<u>83,695</u>
		<u>75,153</u>	<u>84,160</u>
CREDITORS - amounts falling due within one year			
Other creditors		4,933	4,756
Taxation		-	49,196
Dividends		<u>14,000</u>	<u>42,000</u>
		<u>18,933</u>	<u>95,952</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>56,220</u>	<u>(11,792)</u>
		<u><u>£330,143</u></u>	<u><u>£355,241</u></u>
CAPITAL AND RESERVES			
Called-up share capital	6	100	100
Capital reserve	7	329,206	354,535
Profit and loss account	7	<u>837</u>	<u>606</u>
SHAREHOLDERS' FUNDS	8	<u><u>£330,143</u></u>	<u><u>£355,241</u></u>



S A Corbyn - Director



R J Grant - Director

18 April 2002

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2001

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.

2 INCOME FROM FIXED ASSET INVESTMENTS

	2001	2000
	£	£
Listed investments:		
Franked income	14,098	18,913
Unfranked income	3,427	4,830
	<u>£17,525</u>	<u>£23,743</u>

3 EMOLUMENTS OF DIRECTORS

The directors received no remuneration during the year (2000 - 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:

	2001	2000
	£	£
Corporation tax	730	50,267
Irrecoverable foreign tax	127	-
Adjustment in respect of previous years	(137)	-
	<u>£720</u>	<u>£50,267</u>

The company is a close investment holding company.

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2001

5 INVESTMENTS

	£
Cost at 31 December 2000	367,033
Additions	65,926
Disposals	(159,036)
	<hr/>
Cost at 31 December 2001	£273,923
	<hr/>
Market value	
At 31 December 2001	£757,574
	<hr/>
At 31 December 2000	£935,681
	<hr/>

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

Company	Holding	Country of incorporation/ registration
Prudential plc	4,500 ordinary shares	England
RIT Capital Partners plc	11,500 ordinary shares	England
Royal & Sun Alliance Group plc	6,000 ordinary shares	England
Scottish Mortgage & Trust plc	11,500 ordinary shares	Scotland

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 £125,000 (2000 - £147,000).

6 CALLED UP SHARE CAPITAL

	2001	2000
Shares of £1 each		
Authorised	£1,000	£1,000
	<hr/>	<hr/>
Allotted and fully paid	£100	£100
	<hr/>	<hr/>

CHELSEA SECURITIES "B" LIMITED

NOTES ON THE ACCOUNTS 31 DECEMBER 2001

7 RESERVES

	Capital reserve £	Profit and loss £
Retained loss for the year	-	(25,098)
Transfer from capital reserve:		
Net losses on sales of investments	(25,329)	25,329
	<hr/> (25,329)	<hr/> 231
Balances at 31 December 2000	354,535	606
Balances at 31 December 2001	<u>£329,206</u>	<u>£837</u>

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2001 £	2000 £
(Loss)/profit attributable to members	(11,098)	156,286
Dividends	14,000	19,000
Net (reduction in)/addition to shareholders' funds	<hr/> (25,098)	<hr/> 137,286
Opening shareholders' funds	355,241	217,955
Closing shareholders' funds	<u>£330,143</u>	<u>£355,241</u>

9 ULTIMATE OWNERSHIP

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