

Flowidea Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2004



Company Registration No. 02463564

Flowidea Limited

DIRECTORS AND OFFICERS

DIRECTORS

H Angest

D Angest

SECRETARY

J R Kaye

COMPANY NUMBER

02463564 (England and Wales)

REGISTERED OFFICE

Arbuthnot House
20 Ropemaker Street
London
EC2Y 9AR

AUDITORS

Baker Tilly
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

Flowidea Limited

DIRECTORS' REPORT

The directors present their report and financial statements of Flowidea Limited for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiary during the year was that of an investment company and investment trading company.

DIRECTORS

The following directors have held office since 1 January 2004:

H Angest
D Angest

DIRECTORS' INTERESTS IN SHARES

H Angest had beneficial ownership of 100% of the share capital of the Company.

POLITICAL AND CHARITABLE DONATIONS

	2004 £	2003 £
During the year the company made the following payments:		
Political donations to EU parties and organisations	160,971	261,101
Charitable donations	29,935	18,500

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Baker Tilly be re-appointed will be put to the Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



J R Kaye
Secretary

6 June 2005

Flowidea Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which 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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 which 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLOWIDEA LIMITED

We have audited the financial statements on pages 5 to 14.

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 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 other information in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

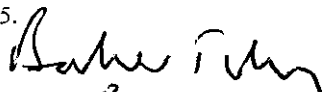
Basis of opinion

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 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 the company's affairs 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.


BAKER TILLY

Registered Auditor
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

13 June 2005

Flowidea Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

	<i>Notes</i>	2004 £	2003 £
INVESTMENT INCOME	2	2,205,348	2,297,158
Amounts written off/(on) investments	3	5,709	(2,582)
Interest payable		670,669	630,348
Other operating expenses	1	248,667	361,457
	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,280,303	1,307,935
Taxation	5	-	-
	
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,280,303	1,307,935
Dividends	6	800,000	600,000
	
RETAINED PROFIT FOR THE YEAR	13	480,303	707,935
	

The profit on ordinary activities arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Flowidea Limited

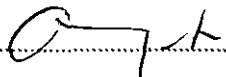
BALANCE SHEET

31 December 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Investments	7	12,850,007	12,855,716
CURRENT ASSETS			
Debtors	8	82,813	45,529
Cash at bank and in hand		938,931	834,719
		1,021,744	880,248
CREDITORS: Amounts falling due within one year	9	5,653,062	4,997,578
NET CURRENT LIABILITIES		(4,631,318)	(4,117,330)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,218,689	8,738,386
CREDITORS: Amounts falling due after more than one year	10	(4,700,000)	(5,700,000)
		3,518,689	3,038,386
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	3,518,589	3,038,286
SHAREHOLDERS' FUNDS	13	3,518,689	3,038,386

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board on 6 June 2005

..........Director
H Angest

Flowidea Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

INVESTMENT INCOME

Investment income reflects net dividends received, bank interest received and unlisted investment interest received.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The accounts present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts.

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2004

1. OTHER OPERATING EXPENSES	2004	2003
	£	£
Administrative expenses	248,667	361,457

2. INVESTMENT INCOME	2004	2003
	£	£
Income from participating interests	1,895,423	1,864,852
Income from unlisted investments	274,488	412,875
Bank interest	34,905	19,352
Other investment income	532	79

	2,205,348	2,297,158

3. AMOUNTS WRITTEN OFF INVESTMENTS	2004	2003
	£	£
Amounts written off/(on) fixed asset investments:	5,709	(2,582)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004	2003
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration	6,033	6,090

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2004

5. TAXATION

Current tax charge	-	-

Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	1,280,303	1,307,935

Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	384,091	392,381

Effects of:		
Non deductible expenses	50,004	82,652
Dividends and distributions received	(576,934)	(615,525)
Other tax adjustments	142,839	140,492

	(384,091)	(392,381)

Current tax charge	-	-

The company has estimated losses of £ 4,319,183 (2003: £ 3,916,820) available for carry forward against future non trading income and gains.

6. DIVIDENDS

	2004	2003
	£	£
Ordinary:		
Interims paid - £6,000.00 per share (2003 - £6,000.00 per share)	600,000	600,000
Final proposed - £2,000.00 per share (2003 - £Nil per share)	200,000	-

	800,000	600,000

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2004

7. FIXED ASSET INVESTMENTS

	<i>Listed investments</i>	<i>Unlisted investments</i>	<i>Shares in group undertakings and participating interests</i>	<i>Total</i>
	£	£	£	£
Cost				
1 January 2004 and 31 December 2004	158,728	3,300,160	9,510,952	12,969,840

Provisions for diminution in value				
1 January 2004	114,124	-	-	114,124
Increase in provision	5,709	-	-	5,709

31 December 2004	119,833	-	-	119,833

Net book value				
31 December 2004	38,895	3,300,160	9,510,952	12,850,007

31 December 2003	44,604	3,300,160	9,510,952	12,855,716

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

<u>Company</u>	<u>Country of incorporation</u>	<u>Class</u>	<u>Shares held</u>	<u>%</u>
<u>Subsidiary undertaking</u>				
Flowtrade Limited	England	Ordinary		100
<u>Participating interest</u>				
Secure Trust Banking Group Plc	England	Ordinary		47

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	<i>Capital and reserves</i>	<i>Retained Profit/(loss) for the year</i>
	£	£
Flowtrade Limited	(4,926)	(866)
Secure Trust Banking Group Plc	24,876,000	(996,000)

The stock exchange value of listed investments at 31 December 2004 was £18,320,559 (2003: £27,100,244).

Unlisted investments include £3,300,000 of floating rate subordinated loan notes 2009 in Secure Trust Banking Group Plc. Unlisted investments also include 160 ordinary £1 shares in Thurleigh Estates Limited, being 15% of the issued ordinary share capital. A further 45% interest is held by Wyler Investments Limited, a company which is wholly owned by Mr H Angest.

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2004

8. DEBTORS	2004	2003
	£	£
Due within one year:		
Amounts owed by group undertakings and undertakings in which the company has a participating interest	4,628	3,923
Other debtors	78,185	41,606

	82,813	45,529

9. CREDITORS: Amounts falling due within one year	2004	2003
	£	£
Bank overdraft	-	10
Bank loans	5,375,000	4,925,000
Other creditors	278,062	72,568

	5,653,062	4,997,578

£6,846,709 of the bank loans above and in note 10 are secured by a lien over the shares and loan notes held in Secure Trust Banking Group Plc.		
10. CREDITORS: Amounts falling due in more than one year	2004	2003
	£	£
Bank loans	4,700,000	5,700,000

Loans		
Wholly repayable within five years	10,075,000	10,625,000
Included in current liabilities	(5,375,000)	(4,925,000)

	4,700,000	5,700,000

Loan maturity analysis:		
In more than one year but not more than two years	1,800,000	2,400,000
In more than two years but not more than five years	2,900,000	3,300,000

11. SHARE CAPITAL	2004	2003
	£	£
Authorised:		
1,000 Ordinary shares of £1 each	1,000	1,000

Allotted, issued and fully paid:		
100 Ordinary shares of £1 each	100	100

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2004

12. STATEMENT OF MOVEMENT ON RESERVES

	<i>Profit and loss account</i> £
1 January 2004	3,038,286
Retained profit for the year	480,303

31 December 2004	3,518,589

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	1,280,303	1,307,935
Dividends	(800,000)	(600,000)

Net addition to shareholders' funds	480,303	707,935
Opening shareholders' funds	3,038,386	2,330,451

Closing shareholders' funds	3,518,689	3,038,386

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2004

14. DONATIONS

Political Donations

During the year £160,971 (2003: £261,101) was donated to political organisations as detailed below:

	2004 £
STCA	1,000
Vote No	5,000
Scottish Conservative Party	700
Global Britain	10,000
Labour Euro Safeguard Campaign	1,000
The Conservative Party	84,963
Scottish Conservative & Unionist Party	15,075
Norris for London	10,000
CLWCA	1,300
North East Says No Ltd	10,000
Angus Council	588
Focus on Scotland	1,500
North Tayside Conservative Association	4,545
The Winter Ball	5,000
The London Scottish Tory Club	4,500
Fresh Start	200
Dunne 4 Ludlow	500
Community Trading	100
The New Frontiers Foundation	5,000

	160,971

15. CONTROL

The company is controlled by Mr Angest, a director, by virtue of shareholding.

16. RELATED PARTY TRANSACTIONS

At the balance sheet date £4,628 (2003: £3,923) was due to the company from Flowtrade Limited a subsidiary undertaking of Flowidea Limited.

At the balance sheet date, the company held loan notes worth £3,300,000 (2003: £3,300,000) in Secure Trust Banking Group Plc, a participating interest. During the year, interest totalling £247,330 (2003: £226,056) was received on these loan notes. The company also received dividends amounting to £1,895,423 (2003: £1,864,852) from Secure Trust Banking Group Plc in the year.

Flowidea Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2004

17. SUBSEQUENT EVENTS

On 20 January 2005 Flowidea Limited purchased 859,691 shares in Secure Trust Banking Group plc for £2,665,042. In order to finance this transaction, Flowidea Limited were loaned £1,650,000 by Wyler Investments Limited, an associated company, at 1% above base rate and £1,262,664 from Nedbank London. £247,622 of the Nedbank London loan was used to pay back a previous loan from HSBC private bank.

In April 2005, the company paid £950,000 for a shareholding of approximately 10% in Thurleigh (Dartmouth) Limited, a property investment company. The acquisition was financed by the cash resources held by the company which were replenished when a dividend was received in May 2005 from Arbuthnot Banking Group plc.