

FLOWIDEA LIMITED
ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998
COMPANY NUMBER 2463564

SMITH & WILLIAMSON
Chartered Accountants
GUILDFORD



FLOWIDEA LIMITED

REPORT OF THE DIRECTOR

The director presents his annual report and the accounts for the year ended 31 December 1998.

REVIEW OF BUSINESS

The principal activity of the company is the holding of investments.

The group profit after tax for the year amounted to £1,208,359 (1997:£743,715). Dividends of £600,000 (1997:£700,000) were paid during the year leaving a surplus of £608,359 (1997:£43,715) to be transferred to reserves.

The director has considered the future and expects the company to continue to be profitable.

The director has considered the Year 2000 compliance position and believes that there is little exposure given the systems in place. Any costs of compliance will be treated as trading costs of the company and will be charged to the profit and loss account as incurred.

DIRECTOR

The director who served during the year and his interest in the share capital at 31 December 1998 and 1 January 1998 was H Angest. He is the beneficial owner of 100% of the company's share capital.

DONATIONS

During the year £74,000 was donated to political organisations, see note 17 for details.

AUDITORS

The auditors, Smith & Williamson, were appointed during the year. They have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

Royex House
Aldermanbury Square
London
EC2V 7HR

2 June 1999

By Order of the Board


J Kaye
Secretary

FLOWIDEA LIMITED

STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS

Company law requires the director to prepare accounts 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 accounts, the director is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the accounts comply with the Companies Act. He is 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.

AUDITORS' REPORT TO THE MEMBERS OF
FLOWIDEA LIMITED

We have audited the accounts on pages 4 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of the director and auditors

As described on page 2 the company's director is 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

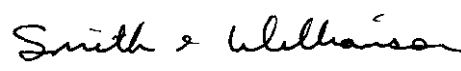
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's and the group'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 and the group as at 31 December 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GUILDFORD
3 June 1999


SMITH & WILLIAMSON
Chartered Accountants
Registered Auditors

FLOWIDEA LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	1998 £	1997 £
INVESTMENT INCOME	2	2,598,826	1,828,601
INTEREST RECEIVABLE	3	7,670	4,124
Loss on disposal of investment		-	(1,547)
		<u>2,606,496</u>	<u>1,831,178</u>
Interest payable and similar charges	4	(787,685)	(684,191)
		<u>1,818,811</u>	<u>1,146,987</u>
Other operating expenses		(127,416)	(146,449)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>1,691,395</u>	<u>1,000,538</u>
Tax on profit on ordinary activities	6	(483,036)	(256,823)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,208,359</u>	<u>743,715</u>
Dividends paid		(600,000)	(700,000)
RETAINED PROFIT FOR THE YEAR	13	<u><u>£608,359</u></u>	<u><u>£43,715</u></u>

There are no recognised gains or losses in either year other than the profits reflected above.

All the group's operations are classed as continuing.

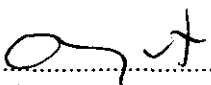
A statement of the movement in shareholders' funds appears in note 14 to the accounts.

FLOWIDEA LIMITED
CONSOLIDATED BALANCE SHEET

31 DECEMBER 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Investments	7&8	9,707,573	9,378,966
CURRENT ASSETS			
Recoverable tax credit on franked investment income		-	111,123
Debtors	9	-	96,000
Cash at bank and in hand		132,560	511
		<u>132,560</u>	<u>207,634</u>
CREDITORS: amounts falling due within one year	10	<u>(4,464,445)</u>	<u>(7,319,271)</u>
NET CURRENT LIABILITIES		<u>(4,331,885)</u>	<u>(7,111,637)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,375,688</u>	<u>2,267,329</u>
CREDITORS: amounts falling due after more than one year	11	<u>(3,500,000)</u>	<u>(1,000,000)</u>
NET ASSETS		<u><u>£1,875,688</u></u>	<u><u>£1,267,329</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	1,875,588	1,267,229
EQUITY SHAREHOLDERS' FUNDS		<u><u>£1,875,688</u></u>	<u><u>£1,267,329</u></u>

These accounts were approved by the director on 2 June 1999



 H Angest


Director

FLOWIDEA LIMITED
COMPANY BALANCE SHEET

31 DECEMBER 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Investments	7&8	9,707,673	9,379,066
CURRENT ASSETS			
Recoverable tax credit on franked investment income		-	111,123
Debtors	9	163	96,160
Cash at bank and in hand		132,297	251
		<u>132,460</u>	<u>207,534</u>
CREDITORS: amounts falling due within one year	10	<u>(4,464,445)</u>	<u>(7,319,271)</u>
NET CURRENT LIABILITIES		<u>(4,331,985)</u>	<u>(7,111,737)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,375,688	2,267,329
CREDITORS: amounts falling due after more than one year	11	<u>(3,500,000)</u>	<u>(1,000,000)</u>
NET ASSETS		<u><u>£1,875,688</u></u>	<u><u>£1,267,329</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	1,875,588	1,267,229
EQUITY SHAREHOLDERS' FUNDS		<u><u>£1,875,688</u></u>	<u><u>£1,267,329</u></u>

These accounts were approved by the director on 2 June 1999



 H Angest

Director

FLOWIDEA LIMITED**NOTES TO THE ACCOUNTS****31 DECEMBER 1998****1. ACCOUNTING POLICIES**

The accounts are prepared in accordance with applicable Accounting Standards. The particular policies adopted by the director are described below.

a) Accounting convention

The accounts are prepared under the historical cost convention.

b) Deferred taxation

Deferred taxation is provided using the liability method for all timing differences between the results as shown by the accounts and those computed for taxation purposes other than those differences which are expected to continue in the foreseeable future.

c) Consolidated accounts

The consolidated accounts consolidate the accounts of the company with those of its subsidiary.

d) Fixed asset investments

Investments in the shares held as fixed assets are stated at cost less any provision for impairment.

2. INVESTMENT INCOME

Investment income reflects gross dividends receivable during each year and a guarantee fee of £7,000 (1997 - £4,249).

3. INTEREST RECEIVABLE

	1998	1997
	£	£
Bank interest receivable	£7,670	£4,124

4. INTEREST PAYABLE AND SIMILAR CHARGES

On bank overdrafts	1,313	2,290
On bank loans repayable within five years, not by instalments	786,372	681,901
	<u>£787,685</u>	<u>£684,191</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging the following:

Auditors' remuneration - audit services	<u>£2,938</u>	<u>£3,572</u>
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The director did not receive any emoluments during the year (1997 : nil).

FLOWIDEA LIMITED**NOTES TO THE ACCOUNTS****31 DECEMBER 1998****6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1998	1997
	£	£
The charge for taxation on profit on ordinary activities for the year comprises:		
Tax attributable to franked investment income	518,365	253,749
Adjustment in respect of prior years	(35,329)	3,074
	<u>£483,036</u>	<u>£256,823</u>

7. FIXED ASSET INVESTMENTS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
a. Listed investments at cost				
At 1 January 1998	9,228,806	8,392,674	9,228,806	8,392,674
Additions	328,607	842,914	328,607	842,914
Disposals	-	(6,782)	-	(6,782)
At 31 December 1998	<u>9,557,413</u>	<u>9,228,806</u>	<u>9,557,413</u>	<u>9,228,806</u>
b. Other investments				
Shares in subsidiary	-	-	100	100
Loan to subsidiary	-	-	150,000	150,000
Other loans	150,000	150,000	-	-
Shares in Thurleigh Estates Ltd	160	160	160	160
	<u>9,707,573</u>	<u>9,378,966</u>	<u>9,707,673</u>	<u>9,379,066</u>

The stock exchange value of the listed investments at 31 December 1998 was £35,506,610 (1997:£37,079,230).

The company owns 100% of the ordinary share capital and voting rights of Flowtrade Limited, an investment trading company registered in England and Wales. Flowtrade Limited results have been included in the consolidated accounts.

The loan to the subsidiary is interest free for up to four years.

Other loans are for three to five years and are to be used by the borrower (a private company) to build up a letting agency in the West End of London on the following terms:-

For the first 32 months from drawdown no interest will be charged, but the repayment will be double the amount lent, repayable in 27 equal instalments from the 33rd month onwards.

160 ordinary £1 shares are held in Thurleigh Estates Limited. This represents an interest of 16% of the ordinary share capital of Thurleigh Estates Limited and a further 49% interest is held by Wyler Investments Limited, a company which is wholly owned by Mr H Angest.

The company has guaranteed a £1,685,000 bank loan facility obtained by Wyler Investments Limited to enable it to make a shareholder loan to Thurleigh Estates Limited. The company has deposited 763,000 shares in Secure Trust Banking Group Plc to the bank granting the loan facility. In consideration for giving the guarantee the company is not required to make a shareholder loan to Thurleigh Estates Limited.

FLOWIDEA LIMITED**NOTES TO THE ACCOUNTS****31 DECEMBER 1998****8. SIGNIFICANT INTERESTS**

Name	Country of Incorporation	Class of capital	% Class held	% Equity held	Latest available accounts	Share Capital & Reserves £'000	Profit after tax for year £'000
Secure Trust Banking Group Plc	England	Ordinary	40.6	40.6	31.12.98	21,056	7,962

9. DEBTORS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Due from subsidiary	-	-	163	160
Accrued income	-	96,000	-	96,000
	<u>£ -</u>	<u>£96,000</u>	<u>£163</u>	<u>£96,160</u>

10. CREDITORS: amounts falling due within one year

	£	£	£	£
Bank loans	4,400,000	7,175,000	4,400,000	7,175,000
Bank overdraft	-	55,349	-	55,349
Accruals	64,445	88,922	64,445	88,922
	<u>£4,464,445</u>	<u>£7,319,271</u>	<u>£4,464,445</u>	<u>£7,319,271</u>

The bank loans are secured by a lien over 3,030,000 of the shares held in Secure Trust Banking Group plc.

The bank loans are repayable within one year and the director is of the opinion that he will be able to negotiate the necessary funds to replace the loans. The director notes that the stock exchange value of the company's listed investments at 31 December 1998 was £35,506,610.

FLOWIDEA LIMITED**NOTES TO THE ACCOUNTS****31 DECEMBER 1998****11. CREDITORS:** amounts falling due after more than one year.

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loans	3,500,000	1,000,000	3,500,000	1,000,000

The bank loans are repayable as follows:-

	1998	1997
	£	£
1- 2 years	1,000,000	-
2-5 years	2,500,000	1,000,000
	<u>3,500,000</u>	<u>1,000,000</u>

The bank loans are secured by a lien over 1,468,321 shares held in Secure Trust Banking Group Plc.

12. SHARE CAPITAL
(Group and Company)

	1998	1997
Authorised:		
1,000 Ordinary shares of £1 each	£1,000	£1,000
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	£100	£100

13. PROFIT AND LOSS ACCOUNT

	Group	Company
	£	£
At 1 January 1998	1,267,229	1,267,229
Retained profit for the year	608,359	608,359
At 31 December 1998	<u>£1,875,588</u>	<u>£1,875,588</u>

FLOWIDEA LIMITED**NOTES TO THE ACCOUNTS****31 DECEMBER 1998****14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Group	
	1998	1997
	£	£
Profit for the year after taxation	1,208,359	743,715
Dividends paid	(600,000)	(700,000)
	<u>608,359</u>	<u>43,715</u>
Opening shareholders' funds at 1 January 1998	1,267,329	1,223,614
Closing shareholders' funds at 31 December 1998	<u>£1,875,688</u>	<u>£1,267,329</u>

15. PROFIT FOR THE YEAR

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these accounts. The holding company's profit for the year after taxation was £1,208,359 (1997:£743,715).

16. RELATED PARTY TRANSACTIONS

The company has guaranteed a £1,685,000 bank loan facility granted to Wyler Investments Limited. The sole director of Wyler Investments Limited is H Angest who owns 100% of this company.

17. POLITICAL ORGANISATIONS

During the year £74,000 was donated to political organisations as detailed below:

	£
North Tayside Conservative & Unionist Association	3,000
Conservative Central Office	5,000
European Research Group	10,000
Conservative Party	30,000
Bromsgrove Conservative Association	1,000
Global Britain	10,000
Renaissance Forum	10,000
Conservative Way Forward	5,000
	<u>£74,000</u>