

Flowidea Limited

Financial statements for the year ended 31 December 1997

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Report of the director

The director presents his report and the audited financial statements for the year ended 31 December 1997.

Principal activities and business review

The principal activity of the company is that of an investment holding company and this is likely to remain so for the foreseeable future. Flowtrade Limited a 100% owned subsidiary is an investment trading company.

Results and dividends

The group profit for the year after taxation amounted to £743,715 (1996: £1,018,457). Dividends of £700,000 (1996: £500,000) were paid during the year leaving a surplus of £43,715 (1996: £518,457) to be transferred to reserves.

The results for the year and the position of the group at 31 December 1997 are considered to be satisfactory.

Donations

During the year £85,000 was donated to the Midlands Industrial Council. Charitable donations of £1,299 were also made during the year.

Post balance sheet events

See note 15 for details of subsequent events.

Director and director's interests

The following director held office throughout the year:

H Angest

H Angest is the beneficial owner of 100% of the company's share capital.

Report of the director (continued)**Statement of director's responsibilities**

Company law requires the director to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group, and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is also responsible for safeguarding the assets of the company and the group, and hence of taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Coopers & Lybrand as the company's auditors will be made at the Annual General Meeting.

By order of the Board



Secretary

8 JUN 1998

**Report of the auditors
to the shareholder of Flowidea Limited**

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

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

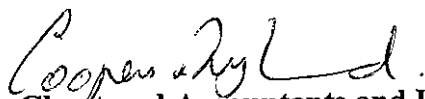
Basis of opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, 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 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 and the group at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Chartered Accountants and Registered Auditors
London**

9 June 1998

Consolidated profit and loss account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Investment income	1	1,828,601	2,108,011
Interest receivable		4,124	8,474
(Loss)/profit on disposal of investments		(1,547)	3,158
		<u>1,831,178</u>	<u>2,119,643</u>
Interest payable	2	(684,191)	(645,824)
Other operating expenses		(146,449)	(182,084)
Profit on ordinary activities before taxation	3	1,000,538	1,291,735
Taxation	5	(256,823)	(273,278)
Profit on ordinary activities after taxation		743,715	1,018,457
Dividends paid		(700,000)	(500,000)
Retained profit for the year	12	£43,715	£518,457

The profit and loss account relates solely to continuing operations, as defined in Financial Reporting Standard Number 3.

There are no recognised gains or losses in 1997 and 1996 other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

Consolidated balance sheet at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Investments	6 and 7	<u>9,378,966</u>	<u>8,442,674</u>
Current assets			
Recoverable tax credit on franked investment income		111,123	148,083
Debtors	8	96,000	-
Cash at bank		<u>511</u>	<u>286,697</u>
		207,634	434,780
Creditors: Amounts falling due within one year	9	<u>(7,319,271)</u>	<u>(5,278,840)</u>
Net current liabilities		(7,111,637)	(4,844,060)
Total assets less current liabilities		2,267,329	3,598,614
Creditors: Amounts falling due after one year	10	<u>(1,000,000)</u>	<u>(2,375,000)</u>
Net assets		<u><u>£1,267,329</u></u>	<u><u>£1,233,614</u></u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	<u>1,267,229</u>	<u>1,223,514</u>
Equity shareholders' funds		<u><u>£1,267,329</u></u>	<u><u>£1,223,614</u></u>

The financial statements on pages 4 to 11 were approved by the director on 1998.

8 JAN 1998



Director

Company balance sheet at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Investments	6 and 7	<u>9,379,066</u>	<u>8,442,774</u>
Current assets			
Recoverable tax credit on franked investment income		111,123	148,083
Debtors	8	96,160	-
Cash at bank		251	286,632
		<u>207,534</u>	<u>434,715</u>
Creditors: Amounts falling due within one year	9	<u>(7,319,271)</u>	<u>(5,278,875)</u>
Net current liabilities		<u>(7,111,737)</u>	<u>(4,844,160)</u>
Total assets less current liabilities		2,267,329	3,598,614
Creditors: Amounts falling due after one year	10	<u>(1,000,000)</u>	<u>(2,375,000)</u>
		<u><u>£1,267,329</u></u>	<u><u>£1,233,614</u></u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	1,267,229	1,223,514
Equity shareholders' funds		<u><u>£1,267,329</u></u>	<u><u>£1,223,614</u></u>

The financial statements on pages 4 to 11 were approved by the director on 1998.

8 JUN 1998



Director

Notes to the financial statements for the year ended 31 December 1997

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Basis of accounting

The financial statements have been prepared on the historical cost basis.

Basis of consolidation

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

Cash flow statement

The group is not required to prepare a consolidated cash flow statement in accordance with Financial Reporting Standard 1 as it qualifies as a small group within the definition of Section 249 of the Companies Act 1985.

Investment income

Apart from a guarantee fee of £4,249 received during the year (1996: £5,000), investment income represents gross dividends receivable during the year.

Fixed asset investments

Investments are stated at cost less any provision required for permanent diminution in value.

2 Interest payable

	1997 £	1996 £
On bank overdraft	2,290	1,171
On bank loans repayable within 5 years, not by instalments	681,901	644,653
	<u>£684,191</u>	<u>£645,824</u>

3 Profit on ordinary activities before taxation

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging:		
Audit fee	<u>£3,572</u>	<u>£2,644</u>

Notes to the financial statements for the year ended 31 December 1997 (continued)

4 Director and employees

The director received no emoluments in the year (1996 - Nil). The group has no employees.

5 Taxation

	1997 £	1996 £
The charge for taxation on profit on ordinary activities for the year comprises:		
Tax attributable to franked investment income	253,749	272,520
Adjustment in respect of prior years	3,074	758
	<u>£256,823</u>	<u>£273,278</u>

6 Fixed asset investments

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
(a) Listed investments at cost				
At beginning of year	8,392,674	8,141,178	8,392,674	8,141,178
Additions	842,914	270,747	842,914	270,747
Disposals	(6,782)	(19,251)	(6,782)	(19,251)
At end of year	<u>9,228,806</u>	<u>8,392,674</u>	<u>9,228,806</u>	<u>8,392,674</u>
(b) Other investments				
Shares in subsidiary	-	-	100	100
Loan to subsidiary	-	-	150,000	50,000
Other loans	150,000	50,000	-	-
Shares in Thurleigh Estates Limited	160	-	160	-
	<u>£9,378,966</u>	<u>£8,442,674</u>	<u>£9,379,066</u>	<u>£8,442,774</u>

The stock exchange value of the listed investments at 31 December 1997 was £37,079,230 (1996: £31,322,797).

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

The loan to the subsidiary which has been increased by £100,000 during the year has been granted interest free for up to five years.

Notes to the financial statements for the year ended 31 December 1997 (continued)

6 Fixed asset investment (continued)

Other loans which have been increased by £100,000 during the year 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 payments from the 33rd month onwards.

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

During the year the company guaranteed a £4 million bank loan facility obtained by Wyler Investments Limited to enable it to make a shareholder loan to Thurleigh Estates Limited. The company has deposited 484,468 shares in Secure Trust 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.

7 Significant interests

Name	Country of Incorporation	Class of capital	% Class held	% Equity held	Latest avail. accounts	Share capital & reserves £'000	Profit after tax for year £'000
Secure Trust Group plc	England	Ordinary	40.5	40.5	31.12.97	18,396	7,587

8 Debtors

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Accrued income	96,000	-	96,000	-
Due from subsidiary	-	-	160	-
	<u>£96,000</u>	<u>£-</u>	<u>£96,160</u>	<u>£-</u>

Notes to the financial statements for the year ended 31 December 1997 (continued)

9 Creditors: amounts falling due within one year

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loans	7,175,000	5,200,000	7,175,000	5,200,000
Bank overdraft	55,349	6	55,349	6
Sundry creditors and accruals	88,922	78,834	88,922	78,834
Due to subsidiary	-	-	-	35
	<u>£7,319,271</u>	<u>£5,278,840</u>	<u>£7,319,271</u>	<u>£5,278,875</u>

The bank loans and overdraft are secured by a lien over 5,437,971 of the shares held in Secure Trust 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 1997 was £37,079,230.

10 Creditors: amounts falling due after more than one year

(Group and company)	1997	1996
	£	£
Bank loans payable:		
between one year and two years	-	250,000
between two and five years	1,000,000	2,125,000
	<u>£1,000,000</u>	<u>£2,375,000</u>

The bank loans are secured by a lien over 500,000 of the shares held in Secure Trust Group plc.

11 Called up share capital

(Group and company)	1997	1996
Authorised		
1,000 ordinary shares at £1 each	<u>£1,000</u>	<u>£1,000</u>
Called up and fully paid		
100 ordinary shares at £1 each	<u>£100</u>	<u>£100</u>

Notes to the financial statements for the year ended 31 December 1997 (continued)

12 Profit and loss account

	Group £	Company £
At beginning of year	1,223,514	1,223,514
Retained profit for the year	43,715	43,715
At end of year	<u>£1,267,229</u>	<u>£1,267,229</u>

13 Reconciliation of movement in equity shareholders' funds

	1997 £	1996 £
Opening shareholders' funds	1,223,614	705,157
Profit for the year after taxation	743,715	1,018,457
Dividends paid	(700,000)	(50,000)
	<u>£1,267,329</u>	<u>£1,223,614</u>

14 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 financial statements. The holding company's profit for the year after taxation was £743,715 (1996: £1,018,457).

15 Post balance sheet events

Since the year end the company has guaranteed a £1,400,000 bank loan facility granted to Wyler Investments Limited.